



## COMMISSION OF THE EUROPEAN COMMUNITIES

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#### Annex to the:

#### COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

#### Financing for Development and Aid Effectiveness –

#### The challenges of scaling up EU aid 2006 – 2010

#### EU monitoring of Financing for Development Aid Effectiveness: Starting to deliver on the new commitments

{COM(2006) 85 final}

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## 1. INTRODUCTION

### 1.1. Background

In May 2005, in an extraordinary effort to contribute to the success of the UN Millennium Review Summit of September 2005, the European Union, adopted a number of historic commitments. These promises concern the volume and sources of financing for development, aid effectiveness and trade. They reconfirm the EU's continued commitment to operationalise the Monterrey Consensus, adopted by the International Conference on Financing for Development (FfD) in Mexico, in March 2002, to make progress on both the quantity and quality of Official Development Assistance (ODA).

In deciding to attain the UN goal of spending 0.7% ODA/GNI by 2015 by gradually increasing aid and adopting a new intermediate target in 2010, the EU is making a crucial contribution to achieving the Millennium Development Goals (MDG). The willingness to transform the longstanding 0.7% aid target from an aspirational goal into a concrete, time-bound target has further confirmed the Union's role as a key partner in the Financing for Development process. Increased aid effectiveness will support the aim of increasing the resources available for developing countries in their endeavours to eradicate poverty and achieve sustainable economic growth and development. The set of updated, reinforced or completely new commitments comprises

- new targets for Official Development Assistance (ODA): By gradually increasing ODA, the EU will collectively provide 0.56% of its GNI by 2010, as an intermediate step to achieving the UN target of 0.7% by 2015. This commitment is combined with the promise to increase aid volumes to Africa by 50%;
- additional commitments concern innovative sources of financing for development, further debt relief and International Public Goods;
- better coordinated and more effective aid at EU level as well as the implementation of the Paris Declaration on Aid Effectiveness, including more predictable aid mechanisms, mitigation of exogenous shocks, aid untying and reform of the international financial system;
- trade-related assistance (TRA), for which the Council further specified the commitments prior to the WTO Ministerial Conference in Hong Kong<sup>1</sup>.

While welcome pledges for additional aid and debt relief followed from some international partners<sup>2</sup>, these efforts are more modest in scope and ambition and other international players, in particular non-OECD/DAC donors, have yet to demonstrate their commitment to addressing the challenges of financing for development around the world. Whereas the UN Summit in September 2005 reiterated the shared responsibility of donor and recipient countries in achieving the Goals of the Millennium Declaration and other internationally agreed development objectives, the summit outcome fell short of the EU's ambitions, including on the issue of Financing for Development.

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<sup>1</sup> "Aid for Trade" Council Document 15579/05 DEVGEN 250 RELEX 748 of 09.12.2005.

<sup>2</sup> G8 at Gleneagles Summit of July 2005; Multilateral Debt Relief Initiative, endorsed by the Annual Meetings of the IMF/World Bank.

When the EU further strengthened its policy framework later in 2005, the new set of commitments on financing and effectiveness of aid became key parts of the joint EU Development Policy Statement ('European Consensus on Development') and the EU Strategy for Africa<sup>3</sup>.

## 1.2. Monitoring – mandate, methodology and structure

Since 2003 the Commission's annual progress reports have become a well established monitoring mechanism within the EU for assessing the degree of implementation of the EU's commitments on financing and effectiveness of aid and for proposing corrective measures wherever progress is insufficient. In 2005 the Council reiterated the request to the Commission to provide annual progress reports. The Commission monitors progress in implementing the EU's commitments on the basis of an annual survey of EU Member States (MS) based on a detailed questionnaire. This exercise provides a good opportunity for **collective benchmarking** and ensures that action taken by the Union is **transparent**. The progress reports of the Commission regularly consist of a Communication to the Council and the European Parliament and are supplemented by a Staff Working Paper.

The first monitoring report of 2003 fed into the preparations for the first UN High Level Dialogue on FfD in October 2003<sup>4</sup>; the 2004 report<sup>5</sup> ultimately led to the EU report 'Advancing coordination, harmonisation and alignment'<sup>6</sup> which became an essential input into the international harmonisation and alignment debate at the OECD/DAC High Level Forum II (HLF II) in Paris in March 2005. The 2005 report laid the basis for the new set of EU commitments adopted by the Council and reconfirmed by the European Council<sup>7</sup>.

**This year's survey** covered questions relating to the new commitments of 2005 as well as the earlier intermediate ODA target, established in 2002, on which the EU promised to deliver by 2006.

The scope of feedback and the quality of contributions by MS to the questionnaire have been constantly improving. This seems to reflect a considerable and growing interest and Member States' (MS) ownership in the monitoring of the joint EU performance. Some MS provided more detailed information, while others preferred not to take a position on all issues. The responses from all the MS constitute a solid basis for drafting the proposals that have been incorporated in the Communication 'Financing for development and aid effectiveness – the challenges of the scaling up of EU aid 2006 – 2010'.

This report evaluates the trends expressed by the MS and assesses the state of preparation and initial progress in delivering on each of the new commitments. The report consists of two parts: the first part is divided into eleven thematic chapters on each of the commitments; the second part consists of a compilation of answers to the survey by each MS.

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<sup>3</sup> Council of 22.11.2005: "The European Consensus on Development", Council Document 14820/05; the Presidents of the Council, the European Parliament and the Commission jointly signed the 'Consensus' on 20.12.2005; 'The EU and Africa: Towards a strategic partnership' adopted by the European Council of 15-16.12.2005 Council document 15961/05 of 19.12.2005.

<sup>4</sup> Commission Staff Working Paper "Follow-up to the International Conference on Financing for Development (Monterrey – 2002) - Monitoring the Barcelona Commitments" SEC (2003) 569, 15.05.2003; Council Conclusions of the GAERC of 20.05.2003, document 9379/03 (Presse 138) p.20.

<sup>5</sup> Communication from the Commission to the Council and the European Parliament "Translating the Monterrey Consensus into practice: the contribution by the European Union" COM(2004)150 final of 05.03.2004; Council Conclusions of the GAERC of 29.04.2004; Council Doc.8973/04 of the 29.04.2004.

<sup>6</sup> Council conclusions of the GAERC 22-23.11.2004; 14724/04 (Presse 325) p.37.

<sup>7</sup> Council Conclusions of May 24, 2005. 'Millennium Development Goals: EU Contribution to the Review of the MDGs at the UN 2005 High Level Event'; Council. document 9266/05.

## 2. COMMITMENT ON ODA VOLUME INCREASES: THE INTERMEDIATE TARGETS 2006

*Commitment: “In pursuance of the undertaking to examine the means and timeframe that will allow each of the Member States to reach the UN goal of 0.7% ODA/GNI, those Member States that have not yet reached the 0.7% target commit themselves – as a first significant step – individually to increase their ODA volume in the next four years within their respective budget allocation processes, whilst the other Member States renew their efforts to remain at or above the target of 0.7% ODA, so that collectively an EU average of 0.39% is reached by 2006. In view of this goal, all the EU Member States will in any case strive to reach, within their respective budget allocation processes, at least 0.33% ODA/GNI by 2006.”*

These first intermediate individual and collective ODA targets were established by the EU in 2002 (‘Barcelona commitments’) and have to be honoured by 2006.

Table 1: EU ODA levels 2004 – 2005 – 2006

ODA Levels	2004		2005		2006	
	Mio. €	as % of GNI	Mio. €	as % of GNI	Mio. €	as % of GNI
<b>Targets</b>						<b>0,33 / -</b>
Austria	554	0,23	1072	0,45	1080	0,43
Belgium	1195	0,41	1358	0,45	1577	0,5
Cyprus	4	0,04	4	0,04	5	0,04
Czech Republik	88	0,11	102	0,11	110	0,11
Denmark	1664	0,85	1675	0,81	1715	0,80
Estonia	4	0,05	5	0,06	6	0,06
Finland	535	0,35	600	0,39	671	0,416
France	6921	0,41	8093	0,47	8213	0,47
Germany	6155	0,28	6204	0,28	7505	0,33
Greece	380	0,23	484	0,28	589	0,33
Hungary	45	0,06	68	0,085	89	0,1
Ireland	496	0,39	546	0,40	675	0,47
Italy	2011	0,15	3279	0,24	4577	0,33
Latvia	7	0,06	7	0,06	8	0,06
Lithuania	8	0,042	12	0,06	14	0,064
Luxembourg	192	0,83	204	0,85	216	0,86
Malta	8	0,18	7	0,18	9	0,2
The Netherlands	3434	0,73	4104	0,83	4221	0,82
Poland	96	0,05	200	0,09	250	0,1
Portugal	842	0,63	454	0,33	450	0,33
Slovak Republic	23	0,072	29	0,09	30	0,085
Slovenia	25	0,1	30	0,12	35	0,127
Spain	1991	0,24	2600	0,30	3234	0,35
Sweden	2224	0,78	2587	0,88	3070	1
UK	6439	0,36	7138	0,39	8061	0,42
<b>EU 15</b>	<b>35033</b>	<b>0,35</b>	<b>40398</b>	<b>0,40</b>	<b>45854</b>	<b>0,44</b>
<b>EU 10</b>	<b>308</b>	<b>0,07</b>	<b>464</b>	<b>0,09</b>	<b>556</b>	<b>0,10</b>
<b>EU 25</b>	<b>35341</b>	<b>0,34</b>	<b>40862</b>	<b>0,38</b>	<b>46410</b>	<b>0,42</b>

Data sources: OECD/DAC Annual report 2005, statistical annexes and replies by EU MS to the Monterrey survey<sup>8</sup>.

<sup>8</sup>

Assumptions for the ODA estimates: Figures on Official Development Assistance (ODA) as well as GNI were taken, as far as available, from Member States’ replies. 2004 data taken from OECD/DAC official data where available (the following exchange rate was used: \$1 = €0,8169, 10.01.2006). Where needed, the GNI was derived from the ODA Volume and ODA as % of GNI giving priority to the replies from the questionnaire. In general, when ODA as % of GNI was not available, the percentage of the previous year was taken. When data was missing, the GNI was calculated on the basis of the 2004 GNI and official EUROSTAT

The EU is broadly on track to meet the ODA target thresholds. In 2004 the EU collectively was significantly above the average of OECD/DAC donors (except for Norway and Switzerland), but no real increase in percentage terms was achieved compared to 2003. ODA volumes increased in nominal terms in 22 Member States. Examples of an exceptional increase (Portugal) and decrease (Belgium) compared to 2003 are mainly related to debt relief efforts. Despite a transitory decrease - due to early repayment of ODA loans - Netherlands aid remains largely above the 0.7% and should again achieve levels at or above 0.8% throughout the period 2005-2010. The continuing low and falling level of Italian aid (0.15% ODA/GNI), which has now decreased further to become the lowest ODA/GNI ratio of OECD/DAC donors, is the main reason why the EU has been unable to increase its collective performance in real terms above the 2003 level. If Italy had maintained the 2002 level of 0.2%, the combined EU efforts in 2004 would have resulted in a real increase and a higher ODA/GNI ratio of 0.35%.

The outlook for 2005 and 2006 is more promising: If current estimates are accurate, the Member States that adopted the ‘Barcelona commitments’ in 2002 (**EU15**) **have together already exceeded the 0.39% target in 2005**. Italy appears to have introduced corrective measures (estimated 0.24% ODA/GNI), but remains by far the weakest performer of the group. **The collective result in 2006 will depend on those countries that are still below the minimum threshold of 0.33%.** Germany, Greece, Italy, Portugal and Spain must achieve a substantial rise in their aid volumes to meet or maintain their individual targets by 2006. The individual contributions of the “heavyweights”, Germany and Italy, are particularly important to the collective result. Italy will have to make the ODA increase a political priority throughout 2006 in order to reach 0.33% and avoid jeopardising the overall positive trends of EU ODA seen since 2002. **What is required is the mobilisation of further € 2.6 billion compared to the 2004 ODA allocations.** Germany’s ODA levels were stable at 0.28% for two consecutive years (2003-2004) and it re-confirmed - including in the new Government agreement - the commitment to allocate 0.33% of the GNI for ODA in 2006. The main reason why Germany and other MS are meeting the individual ODA baselines by 2006 seems to be that they are benefiting from the effects of recent debt reduction operations for countries that do not belong to the group of Heavily Indebted Low-Income Countries (HIPC)s, notably Iraq and Nigeria.

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growth data (Real GDP growth rates at constant prices – 2000). Concerning the period 2008-10, as no forecast is available from EUROSTAT, the 2007 value has been used. When a range of ODA as % of GNI was given, the mid-point was used. Hereafter you will find the detailed assumptions used for some Member State as and where necessary: Austria: growth rates from 2007-10 from EUROSTAT as indicated above, ODA as % of GNI for 2007-09 set to 2006 level and 2010 level set at 0.51% as indicated in the questionnaire. Czech Republic: 2009-10 figures: ODA as % of GNI set at 2008 level and growth rate from EUROSTAT as indicated above. Denmark: GNI growth rates as indicated in the questionnaire. Estonia: 2006-10: growth rates taken from Eurostat as indicated above; ODA as % of GNI at 2005 level. France: 2008-10 ODA as % of GNI set at 0.6 according to the questionnaire; growth rates 2007-10 from EUROSTAT as indicated above. Germany: 2006 ODA as % of GNI set at 2004 level; 2007-10 level set to 0.33 according to the commitment taken by the government; growth rates taken from EUROSTAT as indicated above. Greece: ODA as a % of GNI given, GNI for 2004 given, GNI for the following years based on EUROSTAT growth rates as indicated above. Hungary: ODA as % of GNI set at 0.1 level for 2007-09 and growth rates taken from EUROSTAT as indicated above. Italy: 2005 ODA as % of GNI set at 0.24% according to the questionnaire; 2006-10 values set at the 2005 level; growth rates taken from EUROSTAT data as indicated above. Latvia: ODA as % of GNI 2008-10 set at 2007 level; growth used for the period 2008-10 taken from EUROSTAT as indicated above. Lithuania: 2009-10 data: ODA as % of GNI at 2008 level and growth rates taken from EUROSTAT as indicated above. Luxembourg: ODA as % of GNI stable and growth rates as Greece. Portugal: growth data as stated in the questionnaire, 2005 ODA as % of GNI at 2006 level. Slovakia: ODA as % of GNI 2006-09 set at 2005 level, growth rates taken from EUROSTAT as indicated above. Sweden: growth rates for 2009-10 as 2008. United Kingdom: growth rates for 2008-10: 2.8%, ODA as a % of GNI for 2008-09 set at 2007 level. The Commission will review the methodology prior to the next monitoring report.

Compared to last year's forecast some Member States seem to have adjusted their intended ODA increases to the joint EU timetable 2006-2010 and slightly corrected downwards their ODA growth projections for 2006 and beyond, while still remaining well above the individual baseline target.

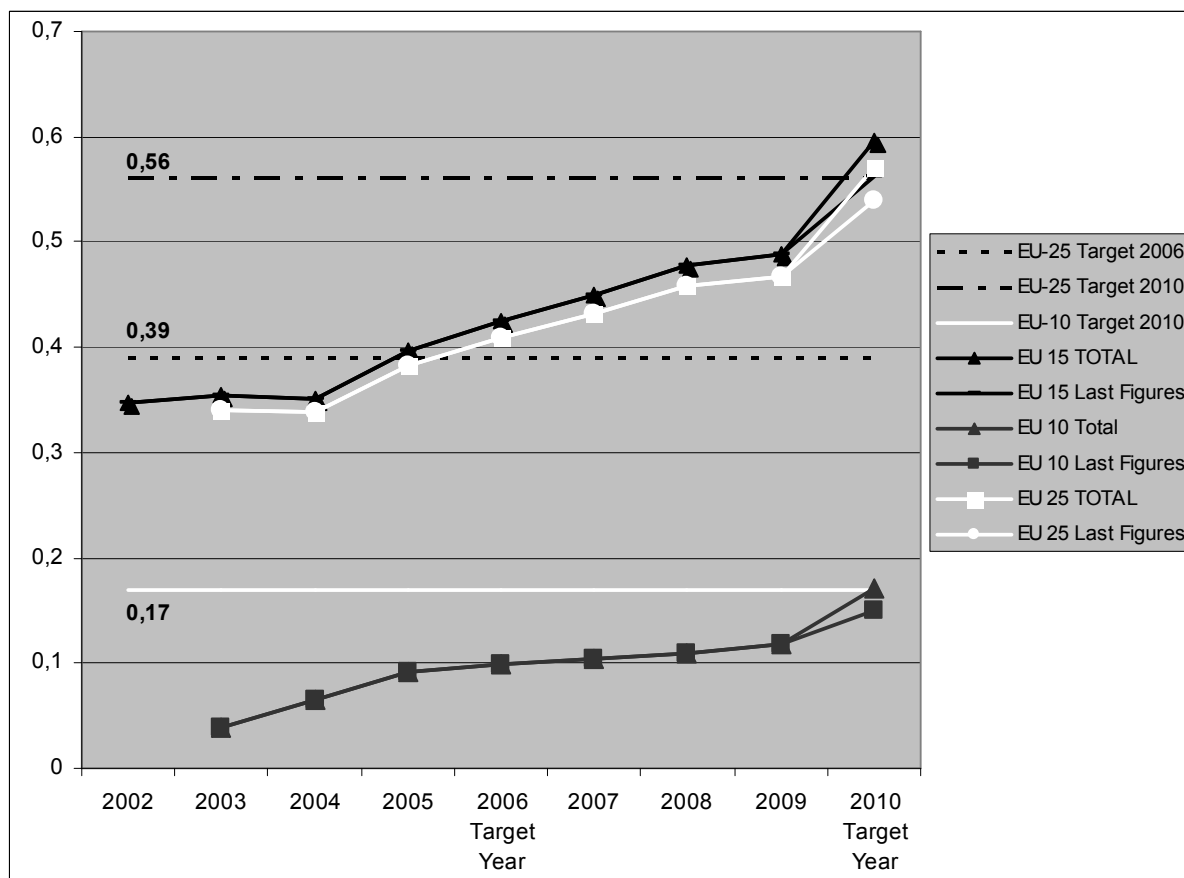
### 3. COMMITMENT TO ODA VOLUME INCREASES: THE INTERMEDIATE TARGETS 2010

*Commitment:* "Increased ODA is urgently needed to achieve the MDGs. In the context of reaching the existing commitment to attain the internationally agreed ODA target of 0.7 % ODA/GNI, the EU notes with satisfaction that its Member States are on track to achieve the 0.39% target in 2006 for ODA volumes contained in the Barcelona commitments. At present, four out of the five countries, which exceed the UN target for ODA of 0.7, of GNI are member states of the European Union. Five others have committed to a timetable to reach this target. While reaffirming its determination to reach these targets, the EU agrees to a new collective EU target of 0.56 % ODA/GNI by 2010, that would result in additional annual € 20bn ODA by that time."

#### 3.1. The challenge of scaling up EU aid during 2006 - 2010

Member States' replies to the survey indicate that the preparations in the EU for speeding up ODA increases during 2006 – 2010 have already got off the ground successfully; collectively the EU appears to be approaching the agreed intermediate targets.

Diagram 1: Current state of preparation for meeting the new collective EU targets by 2010



Sources: Replies of EU Member States to the Monterrey survey

Preliminary estimates show that the majority of MS have introduced the necessary measures to attain the 2010 ODA targets: six MS will provide 0.7% or more of their GNI as ODA, with Sweden keeping its ODA at 1.0% of GNI and Luxembourg endeavouring to attain that level. A further four MS will allocate around 0.6% of their GNI for development aid and others foresee progressive year-on-year increases reaching 0.51% ODA/GNI.

Table 2: Prospects for delivery on the 2006-2010 intermediate EU targets

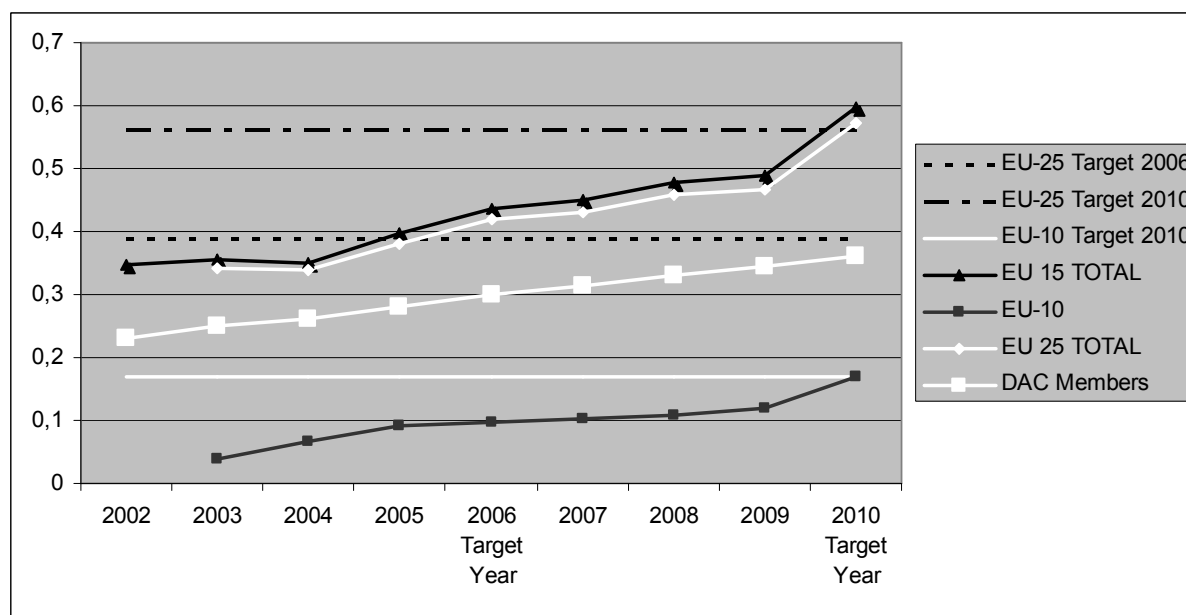
ODA Levels	2006		2010 (latest figures)		2010 (commitments)	
	Mio. €	%GNI	Mio €	%GNI	Mio. €	%GNI
<b>Targets</b>		<b>0,33 / -</b>		<b>0,51 / 0,17</b>		<b>0,51 / 0,17</b>
Austria	1080	0,43	1397	0,51	1397	0,51
Belgium	1577	0,5	2561	0,70	2561	0,7
Cyprus	5	0,04	10	0,06	28	0,17
Czech Republik	110	0,11	137	0,11	212	0,17
Denmark	1715	0,80	1997	0,80	1997	0,80
Estonia	6	0,06	8	0,06	21	0,17
Finland	671	0,416	1287	0,7	1287	0,7
France	8213	0,47	11483	0,6	11483	0,6
Germany	7505	0,33	12359	0,51	12359	0,51
Greece	589	0,33	1041	0,51	1041	0,51
Hungary	89	0,1	176	0,17	176	0,17
Ireland	675	0,47	1227	0,62	1227	0,62
Italy	4577	0,33	3519	0,24	7478	0,51
Latvia	8	0,06	13	0,07	31	0,17
Lithuania	14	0,064	20	0,07	48	0,17
Luxembourg	216	0,86	250	0,83	258	0,86
Malta	9	0,2	7	0,17	7	0,17
The Netherlands	4221	0,82	4848	0,8	4848	0,8
Poland	250	0,1	570	0,17	570	0,17
Portugal	450	0,33	768	0,51	768	0,51
Slovak Republic	30	0,085	77	0,17	77	0,17
Slovenia	35	0,127	58	0,18	58	0,18
Spain	3234	0,35	7136	0,60	7136	0,6
Sweden	3070	1	3783	1,00	3783	1
UK	8061	0,42	12863	0,59	12863	0,59
<b>EU 15</b>	<b>45854</b>	<b>0,44</b>	<b>66519</b>	<b>0,56</b>	<b>70486</b>	<b>0,60</b>
<b>EU 10</b>	<b>556</b>	<b>0,10</b>	<b>1076</b>	<b>0,15</b>	<b>1228</b>	<b>0,17</b>
<b>EU 25</b>	<b>46410</b>	<b>0,42</b>	<b>67595</b>	<b>0,54</b>	<b>71714</b>	<b>0,57</b>

Source: Replies of EU MS to the Monterrey survey

However, the Commission is concerned at the overall tendency of MS to strongly back-load the substantial increases in ODA volumes towards meeting the next intermediate individual and collective ODA targets. In particular, Italy and Germany and several new MS have been unable to indicate how they intend to ensure the required gradual growth of ODA allocations in their national medium-term budget planning. If projections are confirmed over time, the combined EU performance would lead, by 2010, to an **ODA/GNI ratio that is almost three times higher than the average of the non-EU DAC donors.**



Diagram 2: Scaling up of EU aid 2006 – 2010 compared to the DAC average without EU

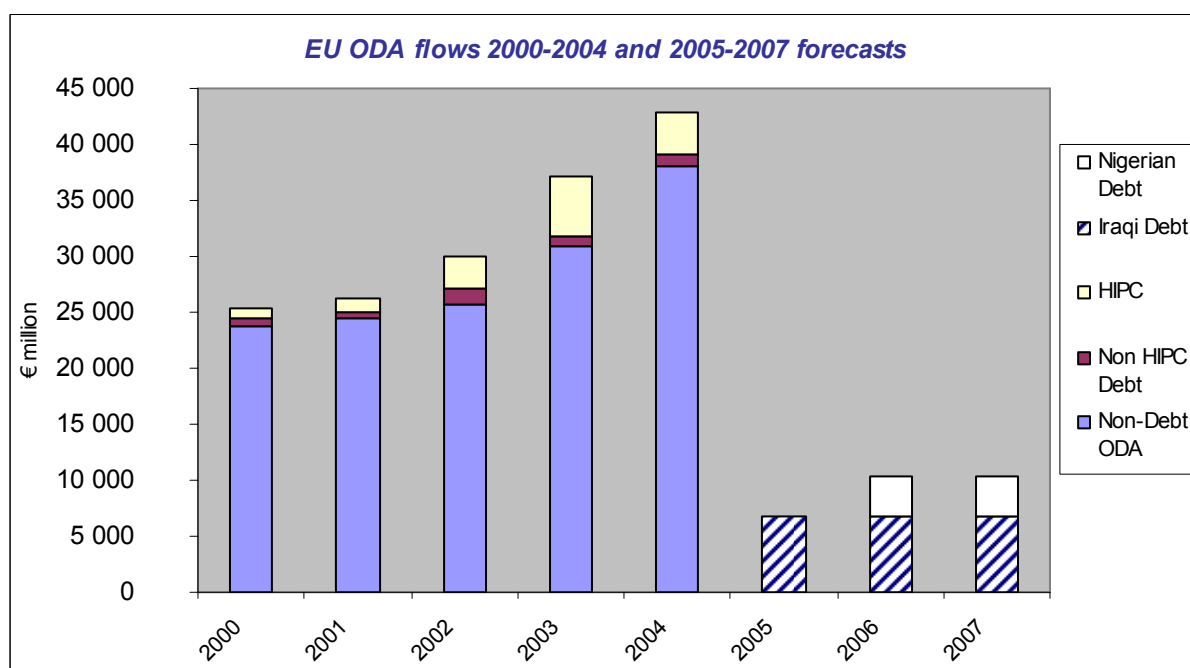


Sources: OECD/ DAC Annual Report 2005, statistical annex; replies of Member States to the Monterrey survey; Commission estimates

### 3.2. The impact of debt relief operations on the scaling up of EU aid

The share of debt relief operations in EU ODA flows has increased steadily since 2000. However, so far the total ODA increase has remained stronger than the growth triggered by debt relief efforts alone. In the light of the substantial volumes involved in recent debt relief packages for non-HIPC countries, MS will have to further discuss among themselves how they are to stay in line with the Monterrey Consensus. The Consensus stated the donors need to ensure that resources provided for debt relief do not detract from ODA resources intended to be available for developing countries.

Diagram3: EU ODA flows and debt relief 2000 – 2004

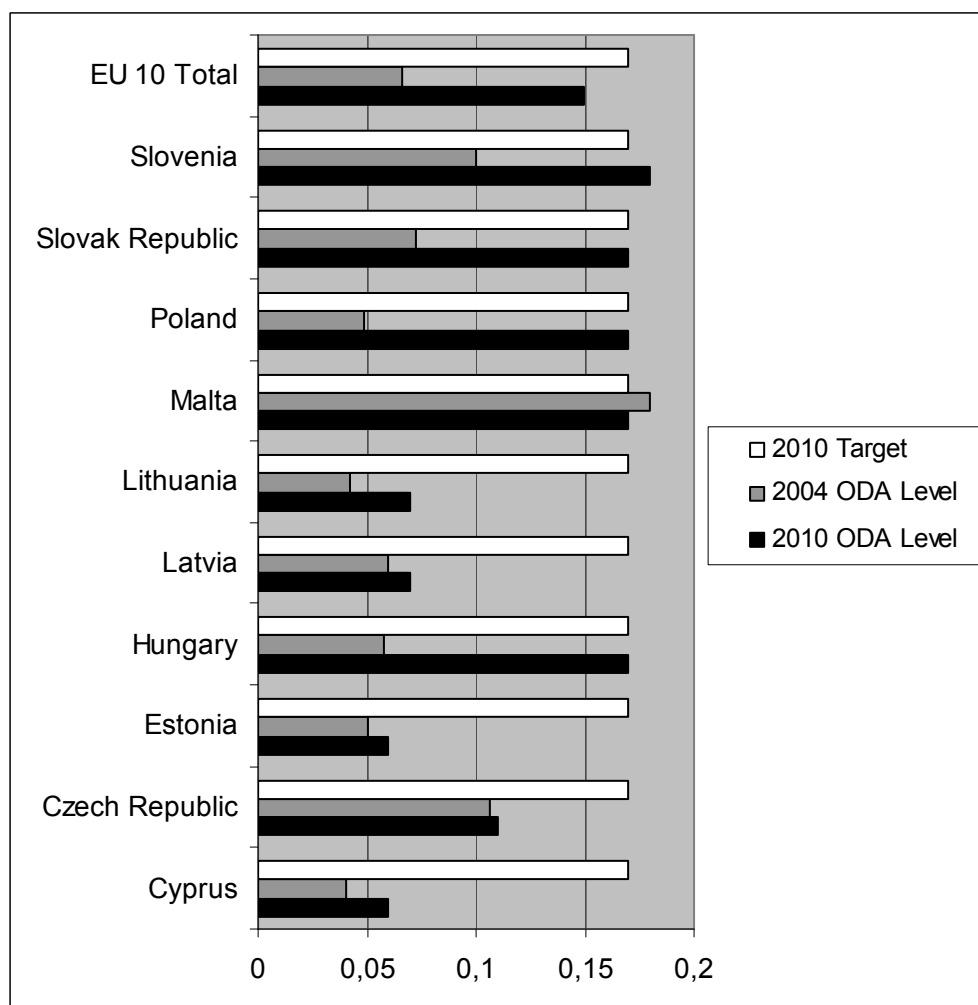


Data source: OECD/DAC Annual report 2005, statistical annex

### 1.1. The contribution of the new Member States

The ten countries that joined the EU in 2004 (**EU10**) agreed to individual baselines adapted to their specific situation. They committed themselves to achieving the ‘acquis communautaire’ of the EU as it stood in 2002 by 2015 (0.33%ODA/GNI) through gradual increases, and to reach an intermediate target of 0.17% by 2010. The acceding countries, Romania and Bulgaria, aligned themselves with these promises and made provisions in their national policies to meet these financial commitments.

Diagram: The ODA/GNI ratio of the EU10 in 2004, compared to current projections and commitments for 2010



Sources: Replies of Member States to the Monterrey survey

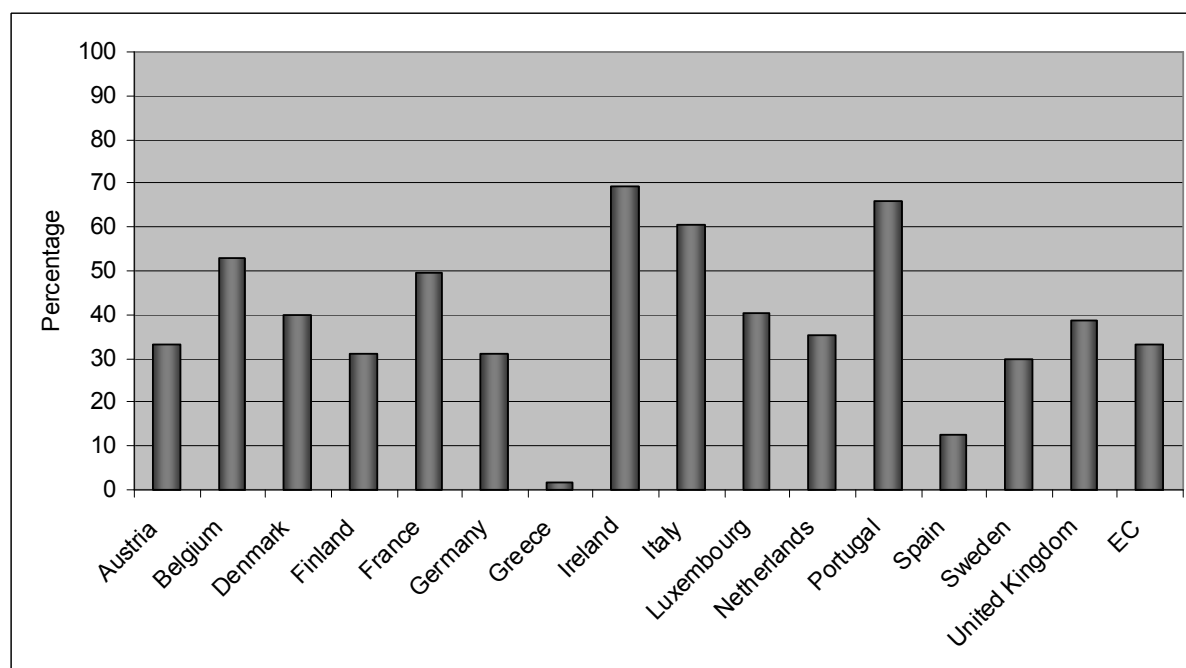
EU10's overall commitment and performance is impressive and could achieve, in the medium-term, ODA/GNI ratios comparable to the USA and close to those of Japan, the two single most important DAC donors. Five of these Member States see medium-term ODA-allocations moving up to 0.17% or more by the target date. Slovenia's efforts are geared towards achieving 0.18% by 2010, whereas Malta already attained that level in 2004 and has pledged to sustain its ODA at least at 0.17% of GNI throughout the period 2004 – 2010. The Baltic countries and the Czech Republic, who were not yet in a position to explain medium-term budget planning for development assistance, and Cyprus, need to strengthen their efforts and adapt their ODA budgets as from 2006, especially through aid allocations in addition to their contributions to the EC budget and the 10<sup>th</sup> EDF.

### 3.3. The focus on Africa

The EU commitments on increased ODA were combined with the promise to increase aid to Sub-Saharan Africa and to ensure that, as of 2006, half of the envisaged collective ODA growth will be allocated to the African continent. By 2010 the combined efforts should mobilise an additional € 10 billion compared to 2006 levels. Further discussion between MS

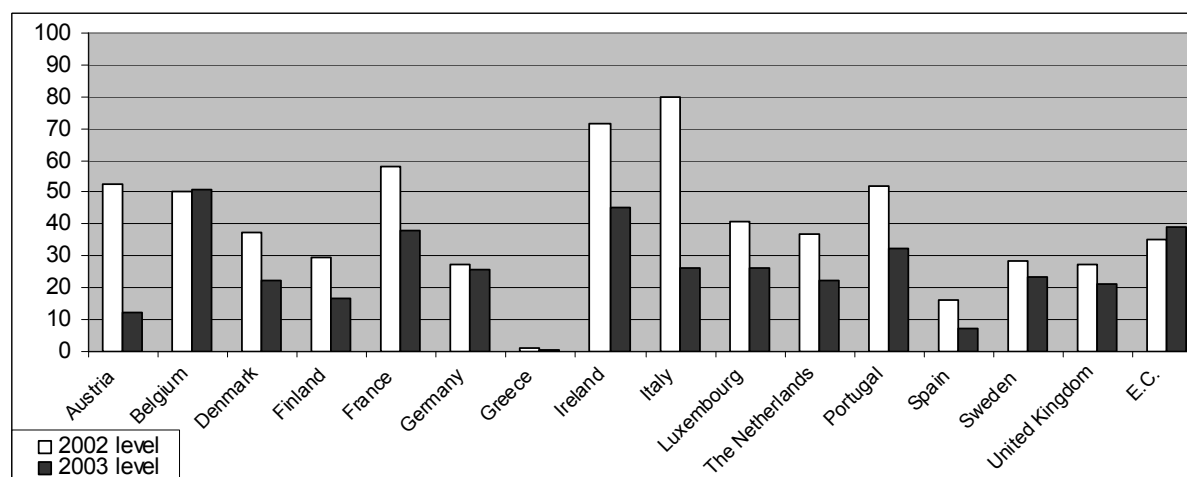
will be required to ensure a sound division of labour and fair burden-sharing in order to move towards this common goal which was not linked to an individual commitment by each MS. So far, Africa has not been a focus region for a number of EU Member States. The annex provides an overview of the replies by MS on how they are bilaterally preparing to focus their bilateral ODA more fully on Africa. The feedback from MS reveals a wide variety of situations and future orientations regarding Africa, although most intend to pay increasing attention to the share of ODA for Africa within their overall budgets: Between 2000 and 2004, five of the EU15 provided around 50 percent or more of their ODA to Africa (Belgium, France, Ireland, Italy, Portugal); they all confirmed that Africa will remain their first geographical priority in the future. Others stated that their aid budgets for Africa will increase (Germany, Poland, Spain, Sweden, Slovenia, United Kingdom) or that the majority of the countries on which they are already focusing are in Africa (Austria, Cyprus, Denmark, Luxembourg). Some MS are planning to increase their aid to Africa through humanitarian aid (Czech Republic, Sweden) or food aid (Poland), through debt relief (Hungary), allocations to multilateral organisations (Estonia, Poland, Slovakia, Spain) or possibly partnerships with other MS (Lithuania, Slovakia).

Diagram: Share of allocations to Africa in EU total ODA – average 2000 - 2004



Source: OECD/DAC Annual Report 2005, statistical annex

Diagram: The share of Africa in ODA allocations of the EU Member States and the European Community



Source: OECD/DAC Annual Report 2004, statistical annex

#### 4. COMMITMENT ON INNOVATIVE SOURCES OF FINANCING

*Commitment:* “The Council will continue to consider the most promising options for innovative sources of financing for development, in order to increase the resources available in a sustainable and predictable way. It notes the intention of some Member States to introduce a solidarity levy on airline tickets.”

In 2005, the Council considered the most promising options for innovative sources of financing for development on the basis of technical analyses provided by the Commission of those financing mechanisms which the Council regarded as most likely to receive significant support from Member States<sup>9</sup>

As a result of this process, the following two proposals received the support of some Member States:

- The **International Finance Facility for immunisation (IFF-Im)** which was launched in September 2005<sup>10</sup> by France, Italy, Spain, Sweden and the UK as a mechanism to frontload financing for immunisation programmes. Seen as a pilot case for a much larger IFF mechanism, the IFF-Im involves a commitment of € 3.3 billion over ten years with an initial market borrowing and related disbursement expected in early 2006. To date, the actual cost of frontloading funds through such a financial mechanism (as opposed to simply speeding up the increase in government budgets for development) remains an open question. Moreover, Portugal is ready to support the IFF-IM, whereas Luxemburg is exploring this option further.

<sup>9</sup> “New Sources of Financing for Development: A Review of Options” SEC(2005)467 of 05.04.2005; “A analysis of a possible contribution based on airline tickets as a new source of financing development” SEC(2005)733 of 15.06.2005; “A possible contribution based on airline tickets as a new source of financing development: technical reflections in the run up to the UN High Level Event” SEC(2005)1067 of 01.09.2005.

<sup>10</sup> The launch of the IFF for immunisation was facilitated by a Eurostat decision in August 2005 clarifying the accounting treatment of the proposed mechanism in general government budgets. Eurostat ruled that: (i) the borrowing and debt of IFFIm would be considered as that of a non-government unit and not that of donor governments; (ii) government donations would be recorded as government expenditure when they are actually paid to the Vaccine Fund

- A contribution on **airline tickets** to enable financing development projects in particular in the health sector, was approved by France in December 2005 and will apply to all air tickets sold in the country for travel departing from France as of July 2006. Return ticket tax rates range from €1 for economy class to €10 for business class on flights within the European Economic Area (EEA), and from €4 to €40 for flights outside the EEA. According to French estimates the tax would raise about €210 million annually that would be used to increase the French contribution to financing of the struggle against pandemics in the developing world, especially AIDS, tuberculosis and malaria. The United Kingdom indicated that part its existing Air Passenger Duty should be used for development financing. The United Kingdom levies an Air Passenger Duty that amounts to €29 for European flights and up to €58 for other international flights. Luxemburg indicated its readiness to implement an airline ticket tax.

The objective of mobilising additional and more stable sources of finances must guide the discussion on innovative financing sources and aid modalities and should, in the medium-term, lead to the provision of more predictable funding. The Commission notes that the IFF-Im brings forward in time resources already pledged to partner countries. Airline ticket solidarity levies can either facilitate the financing of existing commitments or provide complementary resources. In addition, in view of the manifest tendency to link new sources of finances to specific issues and goals, there is a risk that this may contribute to the creation of further vertical and issue-based funds and programmes, thus harming overall aid effectiveness and country ownership.

To support the debate and preserve the momentum, a technical workshop between the Commission services and representatives of the 25 Member States was held in February 2006. Touching upon the existing initiatives as well as possible alternatives, the workshop revealed that the implementation of the initiatives under preparation may have a positive effect on Member States' readiness to join, or carry forward, initiative in the area of innovative financing for development. This is in line with the answers to the Monterrey survey which indicate that while a minority of Member States are actively considering the introduction of one or more innovative financing mechanism (Belgium, Estonia, Germany, Finland, Italy, Luxemburg and Spain) the large majority does not plan to adopt innovative financing modalities prior to an analysis of on-going experience and a thorough study of the feasibility and impact of the measures proposed.

Responses to the Monterrey survey indicate that, while a minority of Member States are actively considering the introduction of one or more innovative financing mechanisms (Belgium, Estonia, Germany, Finland, Italy, Luxembourg and Spain), the large majority do not plan to adopt innovative financing modalities until an analysis of on-going experience and a thorough study of the feasibility and impact of the proposed measures have been conducted. To support the debate and preserve the momentum, a technical workshop between the Commission services and representatives of the 25 Member States was held in February 2006. The workshop touched on the existing initiatives as well as possible alternatives.

## 5. COMMITMENT ON DEBT RELIEF

*Commitment: “The EU remains committed to finding solutions, in cooperation with International Financial Institutions (IFIs), to unsustainable debt burdens, and is committed to full implementation of the enhanced HIPC initiative. It will be vital to agree on the scope and modalities for further multilateral debt relief in order to secure the long term debt sustainability on a case by case approach.”*

The **Multilateral Debt Relief Initiative** of the G8, subsequently confirmed by the IFIs at the World Bank/ IMF Annual Meeting of September 2005, to a large extent provided a response to the EU's concern regarding debt sustainability for the HIPC, as expressed in the above-quoted new commitment on debt.

As far as the implementation of the **enhanced HIPC initiative** is concerned, good progress is being made. However, the level of participation of Non-Paris Club official creditors and commercial creditors generally is low. 13 Member States are prepared to take some action to help avoid lawsuits against HIPC countries from commercial creditors, but not all of them seem ready to finance the existing **debt reduction facility managed by the World Bank**, as only four have replied favourably to this question (Netherlands, Slovenia, Sweden, United Kingdom).

The **potential inclusion of four new countries in the HIPC initiative** (Eritrea, Haiti, Kyrgyz Republic and Nepal) will increase costs for seven Member States. However, several of them have not yet been able to indicate the amounts which would be involved.

Five out of the nine new Member States that replied indicate they have not yet made the necessary **provisions to fully implement the HIPC initiative**; four do not envisage being able to meet the Barcelona commitment to the 100% debt relief on bilateral claims. Malta is not concerned by the debt of developing countries.

As to whether they would support a **potential further initiative to cover the debt owed to multilateral institutions other than those covered by the Multilateral Debt Relief Initiative**, **nine Member States** responded favourably. Of these, five Member States (Denmark, Ireland, Luxembourg, Malta, Slovenia) specifically mentioned the possibility of covering the old EC/EDF loans managed by the EIB. The Inter-American Development Bank was mentioned by six Member States (Cyprus, Denmark, Ireland, Luxembourg, Malta, Spain).

Concerning the potential need for a **temporary suspension of debt servicing for countries affected by exogenous shocks**, ten Member States have adopted a favourable position, either on case-by-case basis, or where the implementation of the G8 proposal remains insufficient to secure long-term macro-economic viability for developing countries. Ten others are still undecided. Four Member States replied negatively, some of them considering that the Exogenous Shocks Facility established by the IMF in December 2005 should provide a sufficient safety net for developing countries prone to exogenous shocks.

## 6. COMMITMENTS ON AID EFFECTIVENESS

### Commitment:

*“In preparation for the Paris High Level Forum, the Council has adopted, on 22 November 2004, a comprehensive EU response with the report on ‘Advancing coordination, harmonisation and alignment’. The EU will ensure implementation of the concrete recommendations contained therein, including a more effective framework for development assistance at the EU level and division of labour and complementarity at country level in the context of joint, multi-annual programming based on the partner country’s poverty reduction strategies.*

*The EU is fully committed to a timely implementation and monitoring of the Paris Declaration on Aid Effectiveness including setting monitorable targets for 2010 and of the EU specific commitments adopted at the Paris Forum.”*

### 6.1. Background and EU performance

The EU’s report ‘Advancing coordination, harmonisation and alignment’ came up with eight recommendations, on which the EU MS and the Commission have started to deliver. At the Paris High Level Forum the EU, in addition to the official declaration of the meeting, committed itself unilaterally to additional specific targets: (1) to provide all capacity building assistance through coordinated programmes with an increasing use of multi-donor arrangements; (2) to channel 50% of government-to-government assistance through country systems, including by increasing the percentage of assistance provided through budget support or Sector Wide Approach arrangements; (3) to avoid the establishment of any new Project Implementation Units; (4) to reduce by 50% the number of un-coordinated missions. 2006 will be the year of truth, in which progress in delivery will be checked against our commitments.

In order to keep up the pace of necessary reforms, a strong and steady mechanism for monitoring the objectives and indicators of the Paris Declaration is needed. The Commission plays a positive role in maintaining a co-ordinated position at EU level, in ensuring enhance partner country participation and in striving to agree on meaningful, but ambitious indicators. The reluctance of some donors to follow the EU’s lead in moving the aid effectiveness agenda forward is, however, regrettable. Considering the delays in finalising that monitoring tool, it is essential that this process finds its cruising speed in 2006, without watering down the commitments, in order to keep up the pace of the necessary reforms. It is noticeable that twenty of the EU MS have already adopted instructions to ensure appropriate dissemination of the Paris Declaration and objectives in their own systems. In future editions of this progress report the Commission will assess the status of the EU’s own commitments, which were recorded during the Paris High Level Forum. The Commission report separately on the progress of implantation of the special EU commitments of Paris so far as well as on the Roadmap process, underway in follow-up to the Ad Hoc Working Party Report of November 2004.

### 6.2. Results of the Survey

The **EU Donor Atlas** of 2004 highlighted two trends: (i) a concentration of aid in some countries and sectors, and (ii) a dispersion of aid into small activities in the same countries and sectors. It raised the question of how to enhance the complementarity of our activities by



improving our division of labour, as a key component of improving the effectiveness of our aid. This is one of the main issues highlighted by several Council conclusions in 2005 and raised by the EU Action Plan that needs to be addressed in the follow-up to the Paris Declaration. In this regard, two thirds of the MS have already agreed to re-examine their resources and structures in order to face the challenges of complementarity, and to address existing gaps. The survey prompted a variety of views on the guiding principles for a division of labour at EU level: **More than two thirds of the MS believe that a system of division of labour should (1) cover both donors' activities and donors' systems and (2) address the existing gaps** (orphan countries and sectors). **Views are more divided** on the question of whether the division of labour should only focus on **new initiatives** (six MS) or also **cover actions under implementation** (ten MS). More than 40% of the Member States are in principle ready for a partial re-deployment of their bilateral activities.

The survey provides a fairly differentiated picture of approaches as regards the main channels that will be used to implement the increasing ODA volumes in the **scaling up** process. There does not seem to be a single line among MS: **Eighty percent of the MS intend to strengthen both the bilateral strand and the cooperation with multilateral, regional or European institutions.**

Concerning the bilateral leg of their cooperation, 19 MS expressed a preference for government-to-government cooperation; for 14 MS the cooperation through NGOs is important, whereas 11 MS want to work through local authorities/organisations. Eight MS are looking for partnerships with other bilateral donors.

**The UN system leads the ranks of the most favoured recipients of multilateral aid:** Two thirds of the MS will use the UN system to channel increasing bilateral aid volumes. As the EU is already the largest supplier of ODA support to the UN system, a much closer coordination among EU MS and the Commission is crucial to ensure the effectiveness and visibility within the EU of such contributions to the different UN organisations. Eleven MS are planning to increase their contributions to the IFIs and ten to regional development banks or regional organisations. Despite the new commitments on trade-related assistance (TRA) of May and December 2005, it is surprising to note that only three MS appear to be considering increased support to the WTO (Finland, Italy and Luxembourg).

## **7. COMMITMENT ON MORE PREDICTABLE, LESS VOLATILE AID MECHANISMS**

***Commitment:** "In order to better respond to the need for stable resources and in view of the expected increases in ODA flows, the EU will develop new, more predictable and less volatile aid mechanisms. Such mechanisms could consist in the provision of a minimum level of budgetary aid secured in a medium-term perspective and linked to policy performance in the partner countries, in particular in relation to the commitment to achieving the MDGs in national poverty reduction strategies."*

The Council invited the Commission to develop proposals for a new long-term budget support mechanism<sup>11</sup>, targeting the best performing countries. Budget support is now also regarded by more than half of the MS as their preferred instrument for delivering increased bilateral aid: **13 MS indicated that programme aid in the form of budget support was one the two**

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<sup>11</sup> Council Conclusions of 22.11.2005 "Orientation Debate on the Effectiveness of EU External Action" (doc 14821/05 DEVGEN 230 RELEX679)

**most favoured methods of delivering future bilateral ODA.** Six MS (Denmark, Finland, France, Portugal, Sweden, United Kingdom) are **ready to provide general untargeted budget support**. Ten Member States (Austria, Belgium, Cyprus, Denmark, Finland, France, Ireland, Italy, Poland, United Kingdom) appear to be taking a more cautious stand by giving **preference to budget support targeted at particular sectors** such as health, education, sanitation or infrastructure. Germany – following the explicit reference to budget support as a delivery tool in the new Government agreement – is in the process of reviewing its aid delivery modalities, including the use of programme-based approaches and programme-oriented joint financing with other donors.

This overall picture presented by the feedback to the survey shows that there is a more positive assessment of sectoral and general budget support among MS. However, the **pace of this movement contrasts with the commitments made**, notably at the Paris High Level Forum on budget support and Sector-Wide Approaches, and the challenges linked to aid delivery in the EU scaling-up process. So far, just two Member States (Portugal and United Kingdom) seem inclined to move to multi-annual budget support with reviews of conditionality at intervals of less than one year, in the sense indicated by the Council Conclusions on the Millennium Development Goals of May 24, 2005. The divergent views among Member States were also apparent at a technical workshop organised by the Commission in February 2006 in response to the Council's invitation to elaborate proposals for a new long-term budget support mechanism targeting the best performing countries.

## **8. COMMITMENT ON EXOGENOUS SHOCKS**

*Commitment: In order to mitigate the impact of exogenous shocks, including price vulnerability, on developing countries economies, the EU will support the operationalisation of market based insurance schemes and explore possibilities for temporary suspension of debt servicing on a case by case basis. Further, the EU will strengthen and improve access to existing financing mechanisms such as those provided for in the Cotonou Agreement (FLEX) to give short term cover against the impact of such shocks on countries' revenue.*

### **8.1. Background**

Exogenous shocks, including commodity price drops, natural disasters and trade-distorting conflicts in the region, often have a significant negative effect on the economy of developing countries. By definition, exogenous shocks are events beyond the control of national authorities, to which a quick adjustment has to be sought in order to mitigate the impact on the national economy. There are several instruments to assist governments, but their effectiveness has at best been mixed. In 2005, renewed attention was drawn to the need to widen and improve the development assistance 'toolbox' to be able to better respond to the challenges faced through external shocks. Moreover, the donor community is looking to encourage a migration from current ad hoc post shock/disaster assistance to a broader strategic approach on shock/disaster planning through ex-ante risk management investment strategies and investment in prevention.

In May 2005 the EU agreed to support the operationalisation of market-based insurance schemes, while the September 2005 UN summit on the MDGs resolved, inter alia, to 'support the efforts of commodity-dependent African countries to restructure, diversify and strengthen the competitiveness of their commodity sectors and decide to work towards market-based

arrangements with the participation of the private sector for commodity price-risk management'. Moreover, the EU Development Policy Statement of December 2005 refers to risk management as an important focal area in support of agricultural development: *"in relation to agriculture, the Community will focus on ..... and risk management (in countries dependent on commodities)"*.

## 8.2. EU performance

The Commission and some of the EU Member States participate actively in the International Task Force on Commodity Risk Management. At the 2005 meeting of this task force, the concept of the **Global Index Insurance Facility (GIIF)** was launched. The main aim of the GIIF is to set up a re-insurance facility that will allow insurance coverage for indexable price risks related to weather, disaster and commodities in developing countries. The GIIF would like to close the gap between the developing countries' demand for insurance against severe shocks at public and private levels and the index insurance markets. The GIIF would lower the entry barrier for international risk transfer by pooling smaller transactions and thereby increase the transfer of risk out of developing countries. The clients of the GIIF would be governments, local banks and primary insurers in developing countries. Preparatory work on the GIIF has been undertaken and it is expected to become operational by mid-2006. The EC and ACP have earmarked € 25 million to support the development of the GIIF and to facilitate access to the Facility by ACP States through the European Development Fund. The European Investment Bank is expected to become one of the main shareholders of the GIIF and will prepare its due diligence report in early 2006.

A first *ad hoc* revision of the EC financed **FLEX mechanism** for ACP countries took place in 2004 (Decision N°2/2004 of the ACP-EC Council of Ministers of 30 June 2004). The modification of the eligibility criteria (extension to landlocked and island ACP States of the special clause of 2% loss of export earnings in the case of least-developed countries - criterion 1) and reducing from 10 to 2% the worsening in the programmed public deficit - criterion 2) resulted in increased accessibility to the mechanism for ACP States.

A second revision was conducted as part of the revision of the Cotonou Agreement signed on 25 June 2005 with the adaptation of Article 68 on FLEX. The new draft wording of paragraph 3 states *"In this context, the least developed, landlocked and island, post-conflict and post natural disaster ACP States shall receive more favourable treatment"*. This means that the special clause of 2% loss of export earnings has also been extended to post-conflict and post natural disaster ACP States.

Beyond the modification contained in the revised Cotonou agreement on the existing FLEX, and in line with the explanation contained in the explanatory memorandum (paragraph 6) of the Commission proposal to the Council (COM/2005/185 of 3/5/2005), it was decided that *"some components, such as the rules on the award of contracts and the modalities for implementation of the FLEX mechanism will be reviewed and adapted, if necessary, by the ACP-EC Council of Ministers"*. Therefore, at the request of the ACP States a further review to improve the speed of delivery and the anti-cyclical impact of the FLEX mechanism is expected.

Moreover, the Commission intends to explore the option of opening up the FLEX mechanism into a tool through which contributions of the EC (10<sup>th</sup> EDF) as well as further voluntary contributions from the national aid budgets of EU MS could be channelled in the context of the scaling up of EU aid.

### 8.3. Results of the Survey

The 2005 questionnaire focused on the Global Index Insurance Facility (GIIF) and asked MS whether they intend to support the GIIF or similar market-based insurance schemes for the mitigation of negative effects from external shocks. In general, the survey indicated little familiarity with the concept of the GIIF and the proposals to establish the facility. A few Member States (Cyprus, Netherlands and Spain) were willing to consider supporting to the GIIF, but could not provide details about the likely type and scale of their support. The conditions under which support would be envisaged are: sufficient progress in the establishment of the GIIF, a clear work plan, a more detailed financial plan and sufficient support from other donors. Other Member States (Belgium, Germany and Sweden) welcomed the initiative, had no objection to EC financing and/or indicated that they are not yet in a position to give an indication of potential support, usually because of lack of knowledge about the facility. Others (Finland, Ireland, Luxembourg and United Kingdom) welcomed the attention being given to shock management in general and the role of the Commission in the GIIF, but indicated that no bilateral support can be expected in the short term. The linkage between the various initiatives (including the newly established **Exogenous Shocks Facility by the IMF**) is seen as important, and the overall ability of the international aid architecture to respond should be looked at with a view to ensuring a rapid reaction to exogenous shocks.

## 9. COMMITMENT ON UNTYING OF AID

*Commitment: "Addressing the challenge of untying of aid by adopting as soon as possible, on the basis of the Commission's proposal, a regulation on the access to EC external assistance; the EU will support ongoing debates at the international level on further untying of aid beyond existing OECD/DAC recommendations."*

The European Community concluded long-standing work to untie the aid managed by the Commission. The two regulations on untying (n° 2110 and 2112) were eventually adopted on 14.12.2005 and entered into force on 28.12.2005<sup>12</sup>.

In the context of the second part of the commitment, e.g. the further support for untying beyond existing DAC recommendations, the untying of food aid is a particular concern of the EU, and the questions in the survey focused on this subject.

In their replies, the EU15 plus Slovenia and Poland declared that they provide nearly all food aid contribution in cash and untied, with only minor conditions, namely no support of development activities, preferences for local or regional purchases, no Genetically Modified Organism (GMO) food. The same group of MS appear to provide little or no donations in kind<sup>13</sup>, nor do they dispose of food surpluses as food aid. This means that there are no donations of domestically produced commodities or any requirement to buy commodities in their country or in the EU<sup>14</sup>.

Regarding the new Member States (with the exception of Slovenia and Poland), the situation is more differentiated. Three of the EU10 (Estonia, Latvia, and Malta) do not provide any food aid donations. The remaining EU10 countries present a variety of situations covering a

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<sup>12</sup> OJ (L344) of 27.12.2005, p. 1 and 23.

<sup>13</sup> Luxembourg and Spain still deliver 5% and Austria, Italy and Portugal still deliver 46% of their food aid in kind; Greece did not provide clear data in the survey.

<sup>14</sup> 6% of Greece's bilateral food aid is still tied; IT did not answer clearly this part of the questionnaire.

mix of in kind and cash donations with a quite substantial share of tied aid. Their reporting does not mention the introduction of any new legislation that would contribute to changing this situation in the near future (with the exception of Lithuania)

As the EU has reiterated on various occasions in international forums<sup>15</sup>, the European Union's common position on food aid needs to be fully implemented by the MS, particularly by the new MS (and possibly also by Greece, Italy and Portugal). It is important to recall that the EU intends to provide food aid on the following basis:

- As an instrument of humanitarian assistance;
- Fully in grant form in situations of acute and protracted crises, with a view to the timely meeting of well identified and internationally recognised needs;
- Demand-driven rather than supply-driven;
- It should not be a means for donors to dispose of surpluses and must not disrupt local markets and production;
- In line with the recommendations of the OECD, the EU emphasises the need to fully untie food aid and move donor practices towards local and regional purchases as a means of stimulating agricultural production, sustaining local markets and enhancing the livelihood of producers;
- Furthermore, food aid must be compatible with local food habits and take account of safety concerns.

In accordance with the existing international commitments of the EC, food aid should be provided in a manner consistent with FAO Principles of Surplus Disposal and Consultative Obligations, the Food Aid Convention and the WTO Agreement on Agriculture. MS should fully implement the existing OECD/DAC recommendation of 2001 and furthermore support enhanced efforts to promote untied aid in the framework of the ongoing OECD/DAC discussions. Concerning current multilateral negotiations on food aid, the European Community (EC) supports WTO discussions to reform and strengthen its rules governing the provision of food aid. In accordance with the EC's position at these negotiations, food aid should be provided in cash and fully untied.

## 10. COMMITMENT ON INTERNATIONAL PUBLIC GOODS

*Commitment:* "Examining, on the basis of the report of the Task Force on Global Public Goods, the possibilities to establish by 2006 an Action Plan at EU level on the provision of priority International Public Goods (IPGs) and agreeing to examine the financing modalities of the IPGs."

The subject of International Public Goods has always had difficulties trying to move from the realm of academic debate into the political arena. The Task Force has had a unique opportunity to make this happen, and many Member States have recognised its important contributions in terms of widening the debate, raising awareness and promoting dialogue.

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<sup>15</sup> In particular on the occasion of the Food Aid Committee (Food Aid Convention) on 2 December 2004

However, concern among Member States about the Task Force's overall value-added is increasing, due to its delay in completing its final report and making it available. Last year a majority of Member States had accepted the working definition of International Public Goods provided by the Task Force. This year, five of them have retreated to an "undecided" position and some have stated that changing the definition before the release of the final report is premature. There is a feeling that the momentum may be lost, unless the report is swiftly released, with an inherent risk that some Member States will lose confidence in the process and in the work of the Task Force unless the report is released promptly.

It is also apparent that many Member States have not yet firmed up their thinking on IPGs beyond the classic linkage to development assistance: A small number of EU countries have made the connection to IPGs that are provided through other financial resources (for instance, paying for vaccines to be delivered outside national borders to address pandemics through the Ministry of Health budget rather than through official development assistance).

## **11. COMMITMENT ON THE REFORM OF THE INTERNATIONAL FINANCE INSTITUTIONS**

*Commitment of 24 May 2005: "Promoting a joint European position on enhancing the voice of developing and transition countries and further improving the quality of existing EU coordination in the IFIs."*

*Commitment of 14 March 2002: "To influence the reform of the International Financial System by combating abuses of financial globalisation, strengthening the voice of developing countries in international economic decision-making and, while respecting their respective roles, enhancing the coherence between the UN, International Financial Institutions and WTO."*

The EU commitment of 2005 adds a welcome clarification and focus to the earlier EU commitment, made in 2002. The new text focuses on the joint EU contribution to strengthening the voice of developing countries and EU coordination in the IFIs. But the new commitment cannot fully replace the previous promise, which is broader in scope and thus remains relevant for further joint work in the EU.

The questions in the survey concentrated on EU coordination in the IFIs and produced a clear majority of 19 MS in favour of more systematic joint statements by EU representatives on the Governing Board of the IFIs and of a more formal coordination mechanism among EU MS for World Bank issues of strategic importance to the EU. A joint position by the EU MS is essential to increasing the EU's visibility and influence in the IFIs with a view to moving towards a credible solution which honours the Monterrey commitment to developing countries. Only a minority of MS considered the existing practice of EU coordination on Governing Boards of the IFIs adequate (Denmark, Finland, the Netherlands, Poland, Sweden, and the United Kingdom) or did not express any position (Italy). Compared to earlier surveys, this result marks a clear change in the attitude of MS towards strengthening the EU profile in the IFIs.

As far as the presentation of agreed EU positions and policies with direct relevance to the IMF/ WB Development Committee agenda is concerned, the replies to the survey showed a variety of opinions among MS. Twelve MS believe that the EU Presidency should speak on behalf of the EU. Six countries would consider a presentation by the European Commission appropriate whenever issues of exclusive European Community competence are concerned,

(Denmark, Lithuania, Luxembourg, Netherlands, Portugal and Spain). Two MS are open to seeing EU policies/ positions presented either by the European Commission generally or by the EU Presidency (Greece, Slovakia). Slovenia, on the other hand, clearly favours the Commission alone, as it does not belong to any constituency of the Governing Boards. Some MS (Cyprus, Czech Republic, Estonia, Finland, Sweden, United Kingdom) either expressed no position or favoured none of the three options.

## 12. COMMITMENT ON TRADE AND DEVELOPMENT

*Commitment (Council conclusions of May 24, 2005): “...the EU commits to further improving and better co-ordinating trade-related assistance programmes and – in view of possible trade integration costs faced by developing countries - providing additional support for trade adjustment and integration into the global economy. It therefore agrees that the different options set out in the Communication for improved and increased aid, including that of an international mechanism for trade adjustment and capacity building, be pursued further within the EU and with the international community.”*

*“The EU will continue to provide support to developing countries to enable them to seize trading opportunities, in particular by assisting them in integrating trade into their national development strategies and securing the necessary domestic reform.”*

*Commitments complemented by Council conclusions of December 12, 2005): “**Integrated Framework (IF)**: On the understanding that the enhancement of the IF needs to address fully its existing weaknesses, the EU resolves that, within available budgets and with other donors, it will provide resources to enable the enhanced IF to be adequately and predictably funded. Some Member States may alternatively decide to provide aid for the same purpose through other channels.”*

*“**Trade-Related Assistance (TRA)**: Within their commitments to future increases in development assistance, Member States will strive to increase the EU’s collective spending on trade-related assistance (as so defined), in response to needs prioritised in partner country poverty reduction strategies or development plans, with a view to reaching a figure of €1 billion per year by 2010, inclusive of spending on the enhanced Integrated Framework. This would bring the contribution of the EU as a whole, including the Community contribution, to €2 billion per year by 2010.”*

### **Background**

Throughout 2005, trade and development issues were at the centre of interest of the international community, including the EU, in view of the WTO Ministerial Meeting in Hong Kong in December 2005. For that reason the Council Conclusions of May 2005 on accelerating progress towards attaining the MDGs, which had already prompted new commitments on trade related assistance, were supplemented and made more specific by the Council at its December meeting. The Conclusions on Aid for Trade underlined the need for additional support to poorer developing countries so that they can better seize trading opportunities offered by the Doha Development Agenda<sup>16</sup>. The Council agreed that:

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<sup>16</sup> Council Conclusions “Aid for Trade” Council Document 15579/05 DEVGEN 250 RELEX 748 of 09.12.2005.

- The MS will **strive to increase their collective spending on TRA to reach €1 billion p.a. in 2010. The collective EU contribution should thus reach €2 billion.**
- The **Integrated Framework (IF)** is an important instrument for helping poor countries to use TRA and infrastructure investment effectively to stimulate broad-based growth through trade. The EU resolves to provide resources for adequate and predictable funding of an enhanced IF, provided that its weaknesses are addressed.
- The EU will work **to increase infrastructure activity that is complementary to TRA** in stimulating export-led growth, particularly in Africa.
- Credible assistance is needed to **facilitate adjustment difficulties arising from preference erosion and reduction in government revenue** due to lower tariffs.

The promise concerning ODA volumes to be reserved for TRA activities is equivalent to almost doubling the EU's collective aid for trade by 2010 compared to the 2001-2004 average allocation, and requires timely preparation by MS to include this specific theme into the general commitments to increase their ODA. The implementation of these decisions will further strengthen the EU's position as the world's largest provider of TRA, thus again proving its commitment to make the Doha Development Agenda a success, especially for the Least Developed Countries and other vulnerable economies. In this context it will be crucial to ensure that work is directed towards more effective and increased trade-related infrastructure activity, support to the enhanced IF as well as credible assistance to facilitate trade adjustment such as that arising from reduced tariff revenue, restructuring private sector activity and reforming fiscal systems.

### **EU performance**

Since the start of the DDA, the Commission has worked to increase its effectiveness in the area of TRA, including by setting up a staff training programme, preparing thematic reviews and working out detailed guidelines for EC aid.

Following the 2004 recommendations of the **comprehensive external evaluation of TRA activities of the EC**, the Commission initiated work on systematic trade needs assessments that are used in the programming processes with beneficiary countries. The trade needs assessments take account of existing work like the Diagnostic Trade Integration Studies (DTIS) under the IF and the Trade Policy Reviews of the WTO and prepare to fill the gaps, with a view to mainstreaming trade matters more effectively in poverty reduction or other development strategies.

A **joint evaluation** by the Commission and some MS **on EU coordination of TRA for 2005-06** concluded that the EU Informal Trade and Development Expert Group remains the main tool at headquarters level for coordination between the Commission and MS. Other key findings include: headquarters exchange of information is mostly from the Commission to MS and not in the other direction; in-country coordination is a very ad hoc process, which has managed to avoid duplication, but has not yet matured into a common strategic response to TRA needs; some MS contribute to shaping multilateral initiatives, but there is no joint EU strategy on such initiatives.

### **Results of the Survey**

The survey had already been launched and many replies from the MS were already available prior to the decision by the Council in December 2005 to strengthen the commitments on aid



for trade. Nevertheless, the feedback from MS showed broad agreement with the guidelines defined by the Council. Overall, MS have become far more sensitive towards trade related assistance issues during the last year, and this has led to far more coherent replies to this part of the survey than in previous years.

Concerning the **growth of bilateral TRA, 20 MS are planning to increase this allocation**. Only Austria, the Czech Republic, Malta, the Netherlands and Spain have no intention of increasing TRA. However, most MS were not yet in a position to give clear indications on the volumes of future TRA allocations in their national budgets. It is worth pointing out that, even if the share of TRA in overall ODA remains the same, the ODA commitments would result in more TRA in absolute terms.

The survey also revealed a **broad convergence of views on the preferred channels for future TRA**. The three most important support channels to come out of the survey, ranked in order of priority, were:

- International institutions (e.g. WTO, UNIDO, UNCTAD, JITAP, Integrated Framework (IF) – mentioned by 23 MS;
- Individual countries – chosen by 18 MS;
- Regional institutions related to trade and development – favoured by 10 MS.

Only a group of five MS believe that cooperation through Non-Governmental Organisations is an important channel for TRA.

In 2005, the need for increased and more effective “aid for trade” was discussed in various international forums. The **World Bank/ IMF Trade Progress Report of September 2005 ‘DDA and Aid for Trade’** identified three non-mutually exclusive approaches for increasing TRA. Concerning possible future support by MS for the proposed options a **large majority - 18 MS – plan to back the enhanced Integrated Framework**. Nine would (also) prefer other options, such as a multilateral fund for cross-country and regional “aid for trade” projects (nine MS). Only Ireland and Portugal backed the idea of a multilateral fund to address adjustment concerns.

The survey also asked for the MS’ assessment of the existing **coordination tools in Brussels on trade and development issues**, including the EU informal trade and development expert group, the Art. 133 Committee, and the Council Working Groups on ‘Development cooperation’ and ‘ACP’. There is a clear agreement among Member States that these tools are adequate; but four countries believe that the effectiveness of the experts’ group needs to be improved (Finland, the Netherlands, Portugal and the United Kingdom), calling specifically for better interaction between the various groups. Moreover, 22 MS believe that the coordination of EU positions related to TRA in international forums (OECD, WTO, World Bank etc.) is adequate. Only Finland, France and Portugal do not share this view. Finland underlined the importance of working towards more coherence.

All relevant international forums have called for a better mainstreaming of trade into the national development strategies of developing countries. With a view to **strengthening the EU policy dialogue at regional and country levels**, 20 MS expressed their support to **develop joint positions together with the Commission, e.g. comments on poverty reduction strategies or national development plans**. While two countries expressed no

position, Denmark, Sweden and the United Kingdom underlined that such statements should also encompass donors other than the EU.

### 13. COUNTRY PROFILES BY EU MEMBER STATE

#### AUSTRIA

##### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	545.42 Mio. €	0.23
2005	1072 Mio. €	0.45
2006	1080 Mio. €	0.43
2007	According to Monterrey and June 2005 Council commitments	
2008	According to Monterrey and June 2005 Council commitments	
2009	According to Monterrey and June 2005 Council commitments	
2010	n.a.	0.51

- Measures taken to increase ODA for Africa: concentration on six regions, three of which are in Africa.

##### Innovative sources of financing

No readiness to implement innovative sources of financing: The following conditions should be in place in order to make Austria reconsider its position:

- participation of all MS
- availability of results of feasibility and impact studies

**Prepared to explore the tax on fuel for international aviation** as this would have secondary ecological effects. Nevertheless, analyses and **results from an impact assessment procedure should be available**. Furthermore, a voluntary contribution on airline tickets provides an insecure and unstable source of development financing and is unlikely to raise sufficient funds.

Challenges/obstacles expected when introducing innovative sources of financing: all MS should participate to avoid any market disturbances.

Austria **is not considering taking part in the IFF** for three main reasons:

- Loans will be repaid at the expense of future ODA budgets which will result in a decrease of ODA after 2015, when financing needs will still be substantial
- ODA of EU-MS will increase in the coming years; frontloading ODA on top of this increase raises the question of absorption capacities

- The issue of the ODA eligibility of IFF commitments is still to be decided.

### **Debt**

**Not prepared to take action** against **commercial creditors** registered in the MS to stop them from filing law-suits against HIPC

**Not prepared to support WB debt reduction facility to buy back commercial debt** of HIPC

Impact of extension of list of eligible HIPCs on costs (only Sri Lanka, costs being currently assessed)

No extension of G8 multilateral debt relief proposal to other multilateral/ European institutions

Uncertain whether an additional debt service suspension is required, after implementation of the Multilateral Debt Relief Initiative (MDRI) for countries affected by exogenous shocks.

Comments: In the case of large Middle-Income countries, the financial implications might reach a level which makes the provision of adequate financial resources unlikely.

### **Aid effectiveness**

Instructions adopted to disseminate EU commitments on harmonisation/ coordination:

- At headquarters (HQ): joint Action Plan of the Ministry of Foreign Affairs and the ADC; principles incorporated into strategic documents. 50 partnership commitments and 12 indicators have been incorporated into the three-year programme 2006-8 and in all development policy guidelines.
- Field level: in Austrian Development Agency's main partner countries, Heads of coordination are active members of the local donor coordination groups. Harmonisation and alignment based on strategic priorities of the partner country. ADC is considering further streamlining and/or concentration of sectors and programmes.

Guiding principles for complementarity/ division of labour: it **should cover both donors' activities and systems**; it should **also cover actions under implementation and address the existing gap**. Finally, Austria is **ready for a certain, partial redeployment** of its bilateral activities.

Channels used for implementing increasing ODA volumes: **government to government cooperation, partnerships with other bilateral donors as well as the UN system, regional development banks, NGOs and local authorities.**

Favoured form of aid: **project aid and TA projects; sectoral budget support with an annual review of the conditions.**

### **Exogenous shocks**

No support to GIIF

### Untying of aid

Food aid: 53.6% in cash and 46.4% in kind; with conditions (earmarking, reporting requirements, contracts, etc.) but without system of local preferences.

### International Public Goods (GPG)

No position on the proposed definition of GPG. Austria is committed to meet its obligations deriving from the Monterrey/Barcelona agreements and will thus continue to make major efforts in order to make an adequate contribution to the millennium goals.

Contribution of International Task Force to IPG debate: raising awareness and giving scientific input to the international debate.

### Reform of the International Financial System

- Proposed measures to improve EU coordination at WB/ IMF/ regional development banks: based on the priorities of their partners
- In favour of more systematic joint EU statements at IFIs
- In favour of an enhanced coordination mechanism within WB/ IMF
- Who should present agreed EU positions/ policies at the IMF/ WB Development Committee? **EU presidency**

### Trade Related Assistance

- No plans to increase TRA

Projected TRA-related ODA commitments

Year of commitment	Trade regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	n.a.		
2005	n.a.		
2006	n.a.		
2007	n.a.		

- Preferred channels for provision of TRA: international institutions
- Preferred options for channelling increased ODA for TRA: enhanced integrated framework
- Adequate Coordination by the EU informal trade and development expert group of the Art. 133 committee.
- Adequate coordination of EU positions on TRA in international forums
- **Ready to develop joint positions** of MS and Commission for policy dialogue at regional and country level, **for improved integration of TRA into** e.g. poverty reduction strategies/ national **development plans**.

## BELGIUM

### Development of ODA volumes

#### Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	1 177 819 598 €	0.41
2005	1 357 785 000 €	0.45
2006	1 576 900 000 €	0.50
2007	1 789 991 500 €	0.55
2008	2 030 352 000 €	0.60
2009	2 287 857 000 €	0.65
2010	2 561 188 000 €	0.70

- Measures taken to increase ODA for Africa: more than 50% of Belgium's aid budget already goes to Africa and this % is due to increase.

### Innovative sources of financing

- **Ready to implement innovative sources of financing**: B will participate in one or more of these initiatives, but it has yet to be decided which option should be favoured: a law introducing a tax on international financial transactions has been passed. To be enforced as soon as other EU-MS adopt the same measure
- Challenges/obstacles expected when introducing innovative sources of financing: coordination problems amongst OECD countries

### Debt

- **Prepared to take action against commercial creditors** registered in the MS to refrain from filing law-suits against HIPC's
- Not prepared to support WB debt reduction facility to buy back commercial debt of HIPC
- No impact of extending list of eligible countries on costs
- Against an extension of G8 multilateral debt relief proposal to other multilateral/ European institutions
- Uncertain about an additional debt service suspension for countries affected by exogenous shocks: transferring additional ODA resources is more effective (in terms of timeliness and flexibility) than organising temporary suspension of debt servicing.

### **Aid effectiveness**

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination?
  - HQ: budget aid mechanisms have been elaborated and adopted; the Belgian aid cycle is being revised; a harmonisation plan is in preparation.
  - Field: leading the ‘fragile states pilot’ in the RDC; increased participation in basket funds and budget support operations; participation in local coordination mechanisms.
- Guiding principles for complementarity/division of labour: it should address the existing gap.
- Channels used for implementing increasing ODA volumes: all existing channels will see their funding increased for the time being; international and national developments will influence future decisions.
- Favoured form of aid: project aid and TA projects as well as sectoral budget support subject to annual reviews of the conditions.

### **Exogenous shocks**

- No support to GIIF, but Belgium is not opposed to an EC financing of the facility.

### **Untying of aid**

- Food aid: 100% in cash and untied without conditions or a system of local preferences

### **International Public Goods**

- No position on the proposed definition
- Unable to answer on the contribution of the International Task Force to the IPG debate

### **Reform of the International Financial System**

- Proposed measures to improve EU coordination at:
  - WB: difficult due to constituencies consisting of EU MS and non-EU countries.
  - IMF: Belgian development cooperation does not participate.
  - regional development banks: has not been discussed
- **Not in favour of more systematic joint EU statements at IFIs**
- In favour of an enhanced coordination mechanism with WB/ IMF. One way to have a common European voice would be having ‘European constituencies’. This would imply a reform of the system.
- Who should present agreed EU positions/ policies at the IMF/ WB Development Committee? **EU presidency**

## Trade Related Assistance

- Plans to increase TRA

### Projected TRA-related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004-2005	€20 million, but projects financed often have non-TRA components in addition to the TRA component. BE's statistical system is being revamped. Only multilateral programmes for the time being: UNDP ATC: 2004-7: €2 million; UNCTAD JITAP: €98 000; integrated framework for trade-related TA to LDC €743 680		
2006	n. a.		
2007	n. a.		

- Preferred channels for provision of TRA: international and regional institutions as well as individual countries.
- Preferred options for channelling increased ODA for TRA: enhanced integrated framework
- Adequate coordination through Art. 133 committee – EU informal trade and development expert group
- Adequate coordination of EU positions on TRA in international forums:
- **Ready to develop joint positions of Member States and Commission for policy dialogue at regional and country level**, e.g. poverty reduction strategies/ national development plans



## CYPRUS

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	4,221,778 €	0.04
2005	4,280,025 €	0.04
2006	5,200,000 €	0.04
2007	6,400,000 €	0.04
2008	7,600,000 €	0.05
2009	8,800,000 €	0.05
2010	10,000,000 €	0.6

- Measures taken to increase ODA for Africa: three of the five selected programme countries are African.

### Innovative sources of financing

- No readiness to implement innovative sources of financing.
- Prepared to explore raising the relevant budget rate. A small increase in the airline ticket levy may be considered.

### Debt

- **No provision** to fulfil financial commitments to HIPC initiative
- **Prepared to take action** against **commercial creditors** registered in the MS to refrain from filing law-suits against HIPCs.
- **Not prepared to support WB debt reduction facility** to buy back commercial debt of HIPC.
- Extension of list of eligible HIPCs has no impact on costs.
- Extension of G8 multilateral debt relief proposal to other multilateral/ European institutions: yes, to the **IADB and ADB**.
- Additional debt service suspension required for countries affected by exogenous shocks; types must be clearly specified. "Savings" on debt servicing should be utilised to assist recovery from the effects of exogenous shocks.

### **Aid effectiveness**

- What kind of instructions adopted to disseminate EU commitments on harmonisation/ coordination:
  - At headquarters (HQ): Information Dissemination Personnel Training.
  - Field level: no information available.
- Guiding principles for complementarity/ division of labour: it should focus on new initiatives only. Cyprus is ready for a partial redeployment of bilateral activities. Large scale of redeployment: Cyprus is in the process of streamlining its contributions to multilateral organisations so that the bulk of these funds would be directed to multilaterals with a strong development assistance component.
- Channels used for implementing increased ODA volumes: government to government cooperation, NGOs, partnerships with other bilateral donors as well as the UN system.
- Favoured form of aid: project aid and TA projects; programme aid (budget support) with an annual review of the conditions.

### **Exogenous shocks**

- Support to GIIF, but the amount is still under consideration.

### **Untying of aid**

- Food aid: 16% with no conditions relating to cash transactions or applying system of local preferences.

### **International Public Goods (GPG)**

- No position on the proposed definition of GPG.
- Expects to take a position on the definition as soon as possible.

### **Reform of the International Financial System**

- No position on proposed measures to improve EU coordination at WB/ IMF/ regional development banks: The IMF needs to tighten its criteria for exceptional financing so as to substantially reduce the concentration of its lending and political interference. The IMF needs to enhance its surveillance work by doing more in-depth analysis of financed sectors using seconded financial experts.
- **In favour of more systematic joint EU statements at IFIs**
- **In favour of an enhanced coordination mechanism within WB/ IMF**

### Trade Related Assistance

- Plans to increase TRA

Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	n.a.		
2005	n.a.		
2006	n.a.		
2007	n.a.		

- Preferred channels for provision of TRA: international institutions (for example WTO, UNIDO, UNCTAD, JITAP, Integrated Framework (IF), individual countries
- Preferred options for channelling increased ODA for TRA: enhanced Integrated Framework
- Adequate coordination by the EU informal trade and development expert group of the Art 133 committee.
- Adequate coordination of EU positions on TRA in international forums adequate.
- **Ready to develop joint positions** of MS and Commission for policy dialogue at regional and country level, **for improved integration of TRA into** e.g. poverty reduction strategies/ national **development plans**.

## CZECH REPUBLIC

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	88 202 106 €	0.11
2005	101 900 404 €	0.11
2006	110 283 557 €	0.11
2007	114 324 838 €	0.11
2008	126 214 889 €	0.11
2009	n. a.	n. a.
2010	n. a.	n. a.

- Measures taken to increase ODA for Africa: The Czech Republic has eight priority countries of which two are in Africa. In 2005, it provided €2451621 under the heading of bilateral development assistance and €166995 for humanitarian assistance. These numbers will be increased to €2610367 and more than €160995 respectively.

### Innovative sources of financing

- No readiness to implement innovative sources of financing. The Czech Republic favours participation on a voluntary basis: until now, have preferred current and proven tools for providing ODA.

### Debt

- No provisions have been made to fulfil the financial commitments to HIPC initiative
- **Not prepared to take action against commercial creditors** registered in the MS to refrain from filing law-suits against HIPCs
- **Not prepared to support WB debt reduction facility** to buy back commercial debt of HIPC
- **An extension of the country list of eligible HIPCs will have an impact on costs.**
- **Against an extension of G8 multilateral debt relief proposal to other multilateral/ European institutions**
- Uncertain concerning an additional debt service suspension required for countries affected by exogenous shocks

### Aid effectiveness

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination?

- HQ: new coordination system to be introduced
- Field: coordination process at the level of responsible ministries.
- Guiding principles for complementarity/ division of labour: it should cover donors' activities and systems; it should also cover actions under implementation.
- Channels used for implementing increasing ODA volumes: local authorities as well as multilateral, regional or European institutions.
- Favoured form of aid: **project aid and TA projects; global funds.**

### **Exogenous shocks**

- No support to GIIF

### **Untying of aid**

- 0.3% of total Czech ODA was committed to the WFP; applied with conditions and with a system of local preferences.

### **International Public Goods**

- No position on the proposed definition.

### **Reform of the International Financial System**

- Proposed measures to improve EU coordination at WB-IMF-Regional Development Bank level: simplicity, transparency and partial involvement during the decision making process (but simultaneously with administrative sustainability and effectiveness); continuous cooperation; establishing of a permanent body/liaison officer(s) responsible for cooperation with the respective organisation – possibility of using existing bodies, e.g. SCIMF for IMF issues; regular meetings at officer and advisor level between EU and the respective organisation.
- Agree to more systematic joint EU statements at IFIs.
- In favour of an enhanced coordination mechanism with WB/ IMF.

### **Trade Related Assistance**

- No plans to increase TRA
- Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	2 projects: €896439		
2005	Contribution to WTO: 50 098 € and planned projects: E50300		
2006	Same as 2005 for the WTO; projects are planned but the exact amount remains to be determined.		

2007	n.a.
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- Preferred channels for provision of TRA: international institutions and bilateral projects.
- Preferred options for channelling increased ODA for TRA: bilateral projects.
- Adequate coordination by Art 133 committee – EU informal trade and development expert group.
- Adequate coordination of EU positions on TRA in international forums.
- **Ready to develop joint positions of Member States and Commission for policy dialogue at regional and country level**, e.g. poverty reduction strategies/ national development plans.

## DENMARK

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	12,197 billion DKK	0.85
2005	12.5 billion DKK	0.80
2006	12.8 billion DKK	0.80
2007	13.4 billion DKK	0.80
2008	13.9 billion DKK	0.80
2009	14.4 billion DKK	0.80
2010	14.9 billion DKK	0.80

- Measures taken to increase ODA for Africa: Africa is priority in Danish development assistance. 9 out of 15 programme countries are African countries and a new Country Programme for Africa is underway.

### Innovative sources of financing

- Not ready to implement innovative sources of financing: The following conditions should be in place in order to make Denmark reconsider its position:
  - participation of all MS;
  - availability of results of feasibility and impact studies (e.g. impact on demand for flights following the introduction of airline ticket levy);
  - if a proposal is supported unanimously by all Member States, Denmark will reconsider its position.
- Other innovative method of financing: support for a Global Lottery has been considered
- Comments: Introduction of innovative financing sources can reduce pressure on Member States to rapidly increase ODA to meet the 0.7% target. Increasing ODA is the most effective and simplest way of mobilising concessional financing for development cooperation.

### Debt

- **Not prepared to take action** against **commercial creditors** registered in the MS to refrain from filing law-suits against HIPC
- Not prepared to support WB debt reduction facility to buy back commercial debt of HIPC

- Impact of extension of list of eligible HIPC's on costs: significance will depend on the cut-off date. If date is at end 2004, debt relief costs will increase by up to US\$50 million. If date is after 2004, costs will be even higher.
- **Agree to extension of G8 multilateral debt relief proposal to other multilateral/ European institutions:** IADB, EC/EDF loans managed by the EIB, ADB, other multilateral banks and EIB (own resources)
- Agree to additional temporary debt service suspension, after implementation of the Multilateral Debt Relief Initiative (MDRI) for countries affected by exogenous shocks, under the following conditions: Debt sustainability assessment should be prepared and always be the basis for any debt rescheduling on concessionary or non-concessionary terms.

### Aid effectiveness

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination:
  - At headquarter (HQ): Secretary of State issued letter to all departments and representations in December 2004 attaching the EU Council Conclusions of November 2004. A cross-cutting working group on harmonization and alignment has been established with the task of incorporating the Paris HLF commitments into policies and guidelines. Instructions on various aspects are prepared on a regular basis. Aid effectiveness issues are part of the annual strategic goals of the Ministry of Foreign Affairs and are included in the annual results contracts with all representations.
  - Field level: Secretary of State issued letter to all departments and representations in December 2004 attaching the EU Council Conclusions of November 2004. A cross-cutting working group on harmonization and alignment has been established with the task of incorporating the Paris HLF commitments into policies and guidelines. Instructions are prepared on various aspects on a regular basis. Aid effectiveness issues are part of the annual strategic goals of the Ministry of Foreign Affairs and are included in the annual results contracts with all representations.
- Guiding principles for complementarity/ division of labour: it **should cover both donors' activities and systems**; it should **also cover actions being implemented**. Lastly, Denmark is **ready for some partial redeployment** of its bilateral activities. Large-scale redeployment: participating in Joint Assistance Strategy processes in several countries. These processes will most likely lead to redeployment/further focusing of assistance. Increased focusing is also part of the government's five-year policy plan.
- Channels used for implementing increasing ODA volumes: government to government cooperation, local authorities/organisations, EC Budget, European Development Fund, World Bank and IMF, as well as the UN system, regional development banks/institutions. Other channels: Denmark is already well above the agreed target of 0.7%. Since economic growth is high it will continue to increase assistance in absolute terms over the period 2007-2009. That increase will be channelled through a number of different institutions and modalities as indicated above.



- Favoured form of aid: project aid and TA projects; programme aid, general budget support (untargeted), sectoral budget support (targeted) with an annual review of the conditions.

Comments: no specific positions as to whether general budget support or sector budget support will be used. Decisions are based on the conditions in individual countries.

### **Exogenous shocks**

- No position on the support to GIIIF, as Denmark would like to see how it develops and to know the modalities.

### **Untying of aid**

- Measures beyond current level of aid untying: ongoing review of operationalisation of Danish policy.
- Food aid: 100% in cash donations. Conditions on cash transactions: food aid is the area where conditions still apply. These are being phased out over a period of two to four years.

### **International Public Goods (GPG)**

- No position on the proposed definition of GPG.
- Contribution of International Task Force to IPG debate: interesting background papers and new ideas for follow-up, but no specific results yet.

### **Reform of the International Financial System**

- Proposed measures to improve EU coordination at WB/ IMF/ regional development banks: Denmark is satisfied with the present level of EU cooperation at the IFIs and the regional development banks.

World Bank: There is no formal EU co-ordination at the Governing Board of the World Bank. Representatives from Executive Director Offices with EU members meet weekly to exchange information and discuss issues of common interest. Since a number of the Executive Director Offices consist of both EU and non-EU members it is difficult to develop the EU cooperation further. Joint Statements with like-minded countries are often prepared. On a number of issues such statements have included most EU countries. However, such statements are not limited to EU-countries.

IMF: The creation of the EFC Sub-Committee on IMF and Related Issues has strengthened EU coordination substantially, with the potential for further improvements in the future.

Regional banks: enhanced EU coordination is not a priority. The existing constituencies are well established and collaboration amongst these and the Nordic countries is working well. IDB: The present structure of the constituency groups within the IDB with EU and non-EU countries participating in the same groups is not conducive to greater EU coordination. AsDB: Denmark is part of a constituency which also includes Canada, the Netherlands, Finland, Norway and Sweden. Nordic positions are based on close coordination. AfDB: The present structure of the constituency groups within the AfDB, with EU and non-EU countries participating in the same groups, is not conducive to more EU coordination.

- **Not in favour of more systematic joint EU statements at IFIs.**
- **Not in favour of an enhanced coordination mechanism within WB/ IMF.**
- Who should present agreed EU positions/ policies at the IMF/ WB Development Committee? The **European Commission**, whenever issues of exclusive Community competence are concerned, the **EU presidency** (although it represents a specific constituency).

### Trade Related Assistance

- No plans to increase TRA

#### Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	45 mio DKK		
2005	50 mio DKK		
2006	Denmark is in favour of the proposal to increase the EU's collective spending on trade-related assistance in line with needs prioritised in country poverty reduction strategies, possibly doubling the EU-contribution as a whole by 2010 (within the ODA-targets agreed in the Council conclusions of 24.05.2005)		
2007			

- Preferred channels for provision of TRA: international institutions (for example WTO, UNIDO, UNCTAD, JITAP, Integrated Framework (IF), individual countries.
- Preferred options for channelling increased ODA for TRA: enhanced integrated framework. Other option: There is a clear need to strengthen the integration of trade in national poverty reduction strategies. Consequently, Denmark will explore how these efforts may be intensified at country level.
- Adequate coordination by the EU informal trade and development expert group of the Art 133 committee.
- Adequate coordination of EU positions on TRA in international forums.
- **Not ready to develop joint positions** of MS and Commission for policy dialogue at regional and country level, **for improved integration of TRA into** e.g. poverty reduction strategies/ national **development plans**.

## ESTONIA

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	3.9 Mio. €	0.05
2005	5.3 Mio. €	0.06
2006	Not decided	
2007	Not decided	
2008	Not decided	
2009	Not decided	
2010	Not decided	

- Measures taken to increase ODA for Africa: increased support to sub-Saharan Africa through increased contribution to different multilateral organisations (e.g. UNDP).

### Innovative sources of financing

- Readiness to implement innovative sources of financing, but it has yet to be decided which option.

### Debt

- **Provisions taken to fulfil financial commitments to HIPC initiative.**
- **Prepared to take action against commercial creditors** registered in the MS to make them refrain from filing law-suits against HIPC.
- **Not prepared to support WB debt reduction facility** to buy back commercial debt of HIPC.
- Impact of extension of list of eligible countries on costs: n.a.
- **Against extension of G8 multilateral debt relief proposal to cover debt owed to other multilateral or European institutions.**
- Uncertain concerning an additional debt service suspension required for countries affected by exogenous shocks.
- Estonia has never had any official bilateral claim on HIPC countries. However, to support the HIPC initiative, Estonia contributed to the IMF PRGF HIPC Trust in 2002.

### Aid effectiveness

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination:

- HQ: EE development cooperation strategy under preparation; bilateral cooperation based on the partners' needs.
- Field: undecided.
- Guiding principles for complementarity/ division of labour: it should both cover both donors' activities and systems, and address the existing gap.
- Channels used for implementing increased ODA volumes: Government to government cooperation, local authorities, NGOs, partnerships with other bilateral donors, the UN-system, WB and IMF as well as the EC budget.
- Favoured form of aid: project aid and TA projects; participation in global funds.

### **Exogenous shocks**

- No support to GIIF

### **Untying of aid**

- No food aid

### **International Public Goods**

- No position on the proposed definition
- No position on the contribution of the International Task Force.

### **Reform of the International Financial System**

- Proposed measures to improve EU coordination at WB-IMF-Regional Development Banks level: satisfied with the current coordination system, especially within the IMF board.
- In favour of more systematic joint statements
- In favour of a coordination mechanism

### **Trade Related Assistance**

- Plans to increase TRA in the coming years: in addition to bilateral TA projects on trade policy issues (WTO and regulations) and on trade related infrastructure in developing countries, Estonia is considering contributing again to the WTO DDA Fund.

- Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	13000 € and training for officials on WTO issues in Uzbekistan		
2005	34000 € and training for officials on WTO issues in Azerbaijan and a project for trade related capacity building in Ukraine		
2006	n.a.		
2007	n.a.		

- Preferred channels for provision of TRA: international institutions as well as individual countries
- Preferred options for channelling increased ODA for TRA: enhanced integrated framework.
- Assessment of coordination tool Art 133 committee – EU informal trade and development expert group: adequate.
- Adequate coordination of EU positions on TRA in international forums.
- **Ready to develop joint positions of Member States and Commission for policy dialogue at regional and country level**, e.g. poverty reduction strategies/ national development plans.

## FINLAND

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2005		0.386
2006		0.416
2007		0.434
2008		0.457
2009		0.485
2010		0.7

- Measures taken to increase ODA for Africa: monitoring the increase in the share for Africa. Monitoring instrument is the annual review of the achievement of the goals of the Development Policy Paper.

### Innovative sources of financing

- Finland will participate in one or more of these initiatives, but it has yet to be decided which option would be favoured.
- Other innovative methods of financing:

**IFF Immunization**: is considering implementation on a pilot basis. Contributions to the IFF for Immunization should be possible also through traditional ODA.

**Taxation of Arms Trade**: remains open for discussion, but priority given to the process of reaching a global agreement for monitoring the transfers of small arms and light weapons.

**Global Lottery**: considers the introduction of a global lottery as a viable instrument; however, the implementation of the proposal requires active participation and commitment.

The **Global Premium Bond**: in favour of further investigation of the proposal.

### Debt

- **prepared to take action** against **commercial creditors** registered in the MS to refrain from filing law-suits against HIPC.
- **Not prepared to support WB debt reduction facility** to buy back commercial debt of HIPC.
- Extension of list of eligible countries has no impact on costs.
- No extension of G8 multilateral debt relief proposal to other multilateral/ European institutions.

- Additional temporary debt service suspension, if required for countries affected by exogenous shocks: on a case-by-case basis.
- Comments: Finland welcomes the G8 Debt Relief proposal on the cancellation of all debts owed by eligible HIPC to IDA, the IMF and the African Development Fund. The proposal is considered as a significant step forward in solving the debt problem. Finland is committed to supporting its implementation. However, it is important that a common understanding is reached on the outstanding issues, such as the coverage of debt relief, financing mechanism for reimbursing the costs to the IFIs while ensuring the additionality of resources, and reallocation of the additional resources to eligible countries. The financing of the HIPC must also be secured.

### **Aid effectiveness**

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination:
  - At headquarters (HQ): Information on the EU commitments has been disseminated throughout the organization, including to the field level missions.
  - Field level: The implementation will be monitored by the aid effectiveness working group. There will be full participation in Joint Assistance Strategies (JAS) in countries where it has been initiated. As a part of general harmonisation, the missions have been asked to implement the EU commitments.
- Guiding principles for complementarity/ division of labour: it should cover both donors' activities and donors' systems (resources and structures); it should only focus on new initiatives; it should cover actions under implementation; it should address the existing gap (orphan countries and sectors); Finland is ready for a certain, partial redeployment of its bilateral activities.
- Channels used for implementing increasing ODA volumes: government to government cooperation; NGOs; Partnerships with other bilateral donors as well as World Bank, IMF, WTO, UN system and regional banks/Institutions.
- Favoured form of aid: project aid and technical assistance projects, general budget support (untargeted, directly to the government's budget), sectoral budget support with an annual review of the conditions.
- Comments: the main concern for aid effectiveness (including EU-level) is at the country level. Harmonization among capitals is needed but it should support country-level processes and country-owned initiatives. Also, harmonisation efforts at EU-level should be based on partner country ownership and open to other donors.

### **Exogenous shocks**

- No support to GIIF.
- Comments: Finland has no position yet on supporting GIIF. It has supported the provision of "topping up" financing within the HIPC framework for the Completion Point countries facing unforeseen events which may place their debt sustainability at risk. It further welcomes the new Debt Sustainability Framework of the WB and IMF, which will also take into consideration risks related to exogenous shocks.



### **Untying of aid**

- Food aid: 22 % of €6,000,000, which represents Finland's regular annual support to the WFP.

### **International Public Goods**

- No position on the proposed definition of GPG. Finland expects to take a decision in 2006.
- Contribution of International Task Force to IPG debate: valuable.
- Non-ODA funds of national budgets devoted to IPGs: in the field of environment Finland supports Clean Development Mechanism (CDM), Joint Implementation Mechanism of Kyoto Protocol, Global Environment Facility (GEF) and in the field of security Finland supports Peace Building operations and Civilian Crisis Management operations.

### **Reform of the International Financial System**

- Proposed measures to improve EU coordination at WB/ IMF/ regional development banks: strengthening informal coordination, exchanging views and sharing information.
- **In favour of more systematic joint EU statements at IFIs.**
- **Not in favour of an enhanced coordination mechanism with WB/ IMF.**
- Who should present agreed EU positions/ policies at the IMF/ WB Development Committee? EU presidency.
- Comments: Finland supports efforts to strengthen informal coordination, exchange of views and information sharing among EU Member States, both at the country level and at the level of Governing Boards. At the level of global architecture, better use must be made of the High-level dialogue between the ECOSOC, World Bank, IMPF and WRO. The EU, together with other relevant actors, could promote research on issues related to increasing the policy space of the developing countries in international financial and trade mechanisms and thereby strengthen their participation in international policy and decision-making. On the fifth question of more systematic joint statements: Finland favours coordinated donor statements from the field, i.e. joint statements on PRSP progress reports, harmonisation etc. However, in their view, this coordination must not be limited to EU Member States but should include all relevant donors in the specific country or sector. Concerning the question "Would you be in favour of a coordination mechanism among Member States for World Bank issues of strategic importance to the EU? Finland would like to reply both "yes" and "no" because the improvement of the EU coordination has to be accommodated within the existing decision-making mechanisms of the World Bank.

### **Trade Related Assistance**

- Plans to increase TRA

## Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	5,768,298 €		
2005	Estimated 4,832,985 €		
2006	Estimated 5,316,284 €		
2007	Estimated 5,847,912 €		

- Preferred channels for provision of TRA: international institutions (for example WTO, UNIDO, UNCTAD, JITAP, Integrated Framework (IF)), individual countries.
- Preferred options for channelling increased ODA for TRA: an enhanced Integrated Framework and bilateral programmes.
- Assessment of coordination tool Art. 133 committee – EU informal trade and development expert group: **not adequate**, because more interaction is needed between different groups, possibly even in the form of joint sessions and by developing other joint working methods.
- **No adequate coordination of EU positions on TRA in international forums**
- **Ready to develop joint positions** of Member States and Commission for policy dialogue at regional and country level, e.g. poverty reduction strategies/ national **development plans**.
- Comments: Finland promotes trade and development inter alia through the following measures: Emphasis on development coherence through multilateral system development; strengthening of trade capacity in developing countries through bilateral programmes and strengthening coherence between trade and aid including the integration of trade in PRSP; enhancing trade relations between EU and developing countries.

## FRANCE

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	6 820 Mio. €	0.41
2005	8 093 Mio. €	0.47
2006	8 213 Mio. €	0.47
2007	n. a.	0.50
2008	n. a.	Between 0.5 and 0.7
2009	n. a.	Between 0.5 and 0.7
2010	n. a.	Between 0.5 and 0.7

- Measures taken to increase ODA for Africa: in 2004, France granted 2/3 of its aid to Africa. This priority will be maintained.

### Innovative sources of financing

- Ready to implement innovative sources of financing: airline ticket levy, IFF and IFF immunisation.
- The French President presented four possibilities for a drawing down of international solidarity: a very small contribution to international financial transactions; a drawing-down of capital coming from or going to countries that still have banking secrecy; a contribution on kerosene used for air or sea transport, and an airline ticket levy. Only the latter has been subject of a French contribution; nevertheless, the other options are still being explored within the group of six on innovative sources of financing (Algeria, Germany, Brazil, Chile, Spain and France).
- The implementation of the airline ticket levy does not pose any practical or legal problems, as proved by the Commission working paper of 1 September 2005.
- The French initiative enjoys the support of a large section of the international community: 79 countries supported the declaration of 14 September 2005. Amongst these were various European countries (Germany, UK, Spain, Sweden, Luxembourg, Austria and Estonia) as well as emerging countries (Brazil and India). The developing countries are also looking forward to this initiative, as 27 African countries out of 47 supported the declaration and five gave a favourable opinion. An international conference at ministerial level will be held in Paris on this matter on 28 February and 1 March 2006.

## **Debt**

- **Prepared to take action against commercial creditors** registered in the MS to refrain from filing law-suits against HIPC
- **No support to the WB debt reduction facility** to buy back commercial debt of HIPC
- Extension of country list of eligible HIPCs will impact on; cost evaluation will be submitted later.
- **Against an extension of G8 multilateral debt relief proposal to other multilateral/ European institutions.**
- **Against additional debt service suspension for countries affected by exogenous shocks.**

## **Aid effectiveness**

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination:
  - HQ: Reform of the principles of multi-annual programming, promotion of the dialogue with the Community and the other European donors, proposal to exchange country strategy papers.
  - Field: Instructions have been forwarded to the embassies and AFD delegations to focus the aid on five sectors and to favour complementarity with European and multilateral actions.
- Guiding principles for complementarity/division of labour: it should cover both donors' activities and systems, only focus on new initiatives and address the existing gap. France is ready for some partial redeployment of its bilateral aid.
- France is currently negotiating with the 30 main beneficiaries of partnership agreements whose actions should be complementary to the interventions of other European actors.
- Channels used for implementing increasing ODA volumes: government to government cooperation, WB/IMF, UN system and regional development banks.
- In favour of annual review of conditions of budget support.

## **Exogenous shocks**

- No support to GIIF.

## **Untying of aid**

- Share of food aid/ application of conditions to cash transactions/ application of a system of local preferences: 100% of food aid in 2005 was given in cash under certain conditions and with a system of local preferences.
- France goes even further: all aid transiting through the AFD is untied (project aid and technical cooperation).

## **International Public Goods**

- No position on the proposed definition. Expects to take a decision after release of the Task Force final report.
- The contribution of the International Task Force to the IPG debate is a very important one.

## **Reform of the International Financial System**

- Proposed measures to improve EU coordination:
  - WB: Further work is needed. Restructure the constituencies so that all European members belong to solely European constituencies.
  - IMF: Concerning EURIMF: efficiency would be strengthened through election of a permanent president, instead of having a chairmanship linked to the EU presidency. SCIMF is key to develop such common positions. On each subject we should try to deliver a common paper. Concerning process: restructure the constituencies so that all European members belong to solely European constituencies.
  - Regional development banks: same difficulties and even fewer results.
- **Agree to more systematic joint EU statements at IFIs.**
- **In favour of an enhanced coordination mechanism with WB/ IMF.**
- Who should present agreed EU positions/ policies at the IMF/ WB Development Committee? **EU presidency.**
- Further comments: Currently, there is a need to develop insurance mechanisms within the IFS. Self insurance is amply illustrated by the large increase in the accumulation of international reserves among Asian IMF members. Regional swap agreements are illustrated by the Chiang Mai initiative (CMI). These alternative forms of insurance may increase the resilience of the IFS. Nevertheless, we should see these developments as reflections of a response by some countries to what they perceive as a gap in the IMF toolkit. Therefore, we should support the proposal of the IMF Managing Director to initiate a new round of debate on insurance policies. At the same time, we should continue our work to improve orderly debt restructuring processes.

## **Trade Related Assistance**

- Plans to increase TRA

Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	7 298 Mio. USD	9 063 Mio. USD	
2005	Waiting for OECD/WTO figures		
2006	Currently under discussion in the Parliament		
2007	Not yet decided		

- Preferred channels for provision of TRA: international and regional institutions as well as individual countries
- Preferred options for channelling increased ODA for TRA: enhanced integrated framework as well as a multilateral fund for cross-country and regional “aid for trade” projects

- **Adequate coordination through Art 133 committee – EU informal trade and development expert group.**
- **Inadequate coordination of EU positions on TRA in international forums.**
- Ready to develop joint positions of Member States and Commission for policy dialogue at regional and country level, e.g. poverty reduction strategies/ national development plans?

## GERMANY

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2005	6 046 000 Mio. €	0.28
2006	n. a.	n. a.
2007	n. a.	n. a.
2008	n. a.	n. a.
2009	n. a.	n. a.
2010	n. a.	0.51

- Specify possible measures to achieve 0.7%: Germany plans to achieve higher ODA volumes through a combination of additional budgetary resources, further debt relief for the poorest, most heavily indebted countries in the framework of the multilateral debt initiative and innovative sources of financing.
- Measures taken to increase ODA for Africa: Germany is fully committed to the EU target to substantially increase EU ODA for Sub-Saharan Africa, and Germany will also contribute to this target bilaterally.

### Innovative sources of financing

- **Ready to implement innovative sources of financing.**

### Debt

- **Prepared to take action against commercial creditors** registered in the MS to refrain from filing law-suits against HIPC.
- **Not prepared to support WB debt reduction facility** to buy back commercial debt of HIPC.
- Not concerned by extension of country list of eligible HIPC.
- **Against extending G8 multilateral debt relief proposal to other multilateral/ European institutions.**
- Additional temporary debt service suspension mechanism should be developed for countries affected by exogenous shocks if implementation of G8 proposals is not sufficient to secure long-term macro-economic viability for such countries.

## **Aid effectiveness**

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination:
  - HQ: Dissemination of the EU report of November 2004 to all relevant departments and working divisions in HQ (BMZ, GTZ, KfW), also providing background information. In addition, the BMZ has prepared an implementation strategy which defines specific measures to implement the Paris Agenda in the system of German development cooperation.
  - Field level: the EU declaration was disseminated together with background information.
- Guiding principles for complementarity/ division of labour: it should cover both donors' activities and systems, and address the existing gap; Germany is ready for some partial redeployment of its bilateral activities.
- DE has increased its commitments for programme-based approaches since 2001 and reduced the number of recipient countries from 120 to about 90. This concentration process will continue. Up to now, priority area strategies have been established in 63 partner countries. The process of profile building (choice of sub-sectors in the given sectors) is already in full swing in sub-Saharan Africa. This process will receive further momentum by increased DE participation in budget/programme financing and by an increased division of labour amongst donors. Concentration on fewer countries; priority areas for cooperation and programme-based approaches has improved DE's position to contribute effectively to strategies on division of labour amongst donors.
- Channels used for implementing increasing ODA volumes: decision will be taken in due course.
- Favoured form of aid: DE is currently reviewing its methods of aid delivery.

## **Exogenous shocks**

- No support to GIIF: not enough information available yet on the GIIF, therefore no commitment is possible.

## **Untying of aid**

- Share of food aid/ application of conditions to cash transactions/ application of a system of local preferences: 100% in cash with conditions and a system of local preferences.

## **International Public Goods**

- Agree on proposed definition.
- The contribution of the International Task Force cannot be assessed, as it is linked to the release of the final report.
- Non-ODA funds of national budgets devoted to IPGs: resources devoted to a range of GPGs such as trade conflict prevention.



## **Reform of the International Financial System**

- Proposed measures to improve EU coordination:
  - WB: EU coordination is hampered by the fact that the Commission is not a member and because of the constituency structure. Therefore, the EU has to focus on structural difficulties first.
  - IMF: EU has to focus on structural difficulties first.
  - Regional development banks: DE will propose an informal consultation process.
- **Agree to more systematic joint EU statements at IFIs.**
- **Agree on enhanced coordination mechanism with WB/ IMF.**
- Who should present agreed EU positions/ policies at the IMF/ WB Development Committee? **EU presidency.**

## **Trade Related Assistance**

- Plans to increase TRA

Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	13.52 Mio. €	53.2 Mio. €	Not available because of lack of agreed definition for this category
2005	n. a.		
2006	n. a.		
2007	n. a.		

- Preferred channels for provision of TRA: international institutions and individual countries.
- Preferred options for channelling increased ODA for TRA: enhanced integrated framework
- Adequate coordination through Art 133 committee – EU informal trade and development expert group.
- Adequate coordination of EU positions on TRA in international forums.

**Ready to develop joint positions of Member States and Commission for policy dialogue at regional and country level**, e.g. poverty reduction strategies/ national development plans?

## GREECE

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	n.a.	0.23
2005	n.a.	0.28
2006	n.a.	0.33
2007	n.a.	0.37
2008	n.a.	0.40
2009	n.a.	0.45
2010	n.a.	0.51

- Measures taken to increase ODA for Africa: sectors of production SMS, all of these for creation of incoming trade.

### Innovative sources of financing

- **Not ready to implement innovative sources of financing.**

### Debt

- **Not prepared to take action against commercial creditors** registered in the MS to refrain from filing law-suits against HIPC.
- Not prepared to support WB debt reduction facility to buy back commercial debt of HIPC.
- No impact of extension of list of eligible countries on costs.
- **Against extension of G8 multilateral debt relief proposal to other regional multilateral banks.**
- In favour of additional temporary debt service suspension, if required for countries affected by exogenous shocks.

### Aid effectiveness

- Instructions adopted to disseminate EU commitments on harmonisation/coordination: documents and explanatory notes (both at HQ and in priority countries' embassies).
- Guiding principles for complementarity/ division of labour: it should cover both donors' activities and donors' systems (resources and structures)
- Channels used for implementing increasing ODA volumes: bilateral cooperation: government to government cooperation; local authorities, NGOs.
- Favoured form of aid: project aid and TA projects

### **Exogenous shocks**

- No support to GIIF.

### **Untying of aid**

- Food aid in kind and in cash varies from year to year (apart from the approximately 4 Mio.€ given to the WFP).
- No conditions and no system of local preferences.
- 93.8% of their bilateral aid is untied.

### **International Public Goods**

- Agree with proposed definition.
- Contribution of International Task Force to IPG debate: better involvement of the EC in GPGs.

### **Reform of the International Financial System**

- Proposed measures to improve EU coordination at WB: participate more systematically in joint working groups.
- Proposed measures to improve EU coordination at IMF: the Fund should better coordinate its missions with the country cycle and with the work of other donors/creditors
- Proposed measures to improve EU coordination at regional development banks: Banks should participate more systematically in joint donor/creditor groups and in their common performance assessment frameworks.
- Agree to more systematic joint EU statements at IFIs.
- In favour of an enhanced coordination mechanism with WB/ IMF.
- Who should present agreed EU positions/ policies at the IMF/ WB Development Committee? **European Commission or EU presidency.**

### **Trade Related Assistance**

- Plans to increase TRA
- Projected TRA-related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Contribution to Trust Funds	Trade related infrastructure
2004	511 729 €			
2005	Not yet available			
2006	Not yet available			
2007	Not yet available			

- Preferred channels for provision of TRA: International institutions; regional institutions; NGOs.
- Preferred options for channelling increased ODA for TRA: enhanced integrated framework
- Adequate coordination through Art. 133 committee – EU informal trade and development expert group.
- Adequate coordination of EU positions on TRA in international forums.
- **Ready to develop joint positions of Member States and Commission for policy dialogue at regional and country level**, e.g. poverty reduction strategies/ national development plans: this should be done within the broader donor community and not be restricted to the EU

## HUNGARY

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	54 Mio. €	0.07
2005	n.a.	0.085
2006	89 Mio. €	0.1
2007	n.a.	
2008	n.a.	
2009	n.a.	
2010	n.a.	0.17

- Measures taken to increase ODA for Africa: debt relief for HIPC eligible countries in Africa

### Innovative sources of financing

- **Not ready to implement innovative sources of financing.** The following conditions should be in place so that HU could reconsider its position: participation of all MS; information available from those who already introduced such measures; results of feasibility and impact studies.

### Debt

- Provisions made to fulfil financial commitments to HIPC initiative.
- **Not prepared to take action against commercial creditors** registered in the MS to refrain from filing law-suits against HIPCs.
- **Not prepared to support WB debt reduction facility** to buy back commercial debt of HIPC.
- Not concerned by extension of country list of eligible HIPCs.
- Against extension of G8 multilateral debt relief proposal to other multilateral/ European institutions.
- Uncertain about an additional temporary debt service suspension for countries affected by exogenous shocks.

### **Aid effectiveness**

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination: at HQ and field level: seminars and training courses.
- Guiding principles for complementarity/ division of labour: it should also cover actions under implementation.
- Preferred channels for implementing increasing ODA volumes: government to government cooperation as well as NGOs, WB and IMF.
- Favoured form of aid: project aid and TA projects; support to global funds

### **Exogenous shocks**

- No support to GIIF.

### **Untying of aid**

- USD 65 000 is paid annually to the WFP. Wheat to Sri Lanka to the value of USD 55 000 through the WFP (tsunami) without conditions or a system of local preferences.

### **International Public Goods**

- No position on the proposed definition.
- No position on the contribution of the International Task Force.

### **Reform of the International Financial System**

- Proposed measures to improve EU coordination at WB/ IMF: coordination difficult to discuss due to the current constituency system
- HU is not a member of regional development banks.
- **Agree to more systematic joint EU statements at IFIs.**
- **In favour of enhanced coordination mechanism with WB/ IMF.**
- Who should present agreed EU positions/ policies at the IMF/ WB Development Committee? EU presidency.

### **Trade Related Assistance**

- Plans to increase TRA

#### Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	n.a.		
2005	n.a.		
2006	n.a.		
2007	n.a.		

- Preferred channels for provision of TRA: International institutions, individual countries as well as NGOs
- Preferred options for channelling increased ODA for TRA: enhanced integrated framework
- **Adequate coordination through Art 133 committee – EU informal trade and development expert group.**
- **Adequate coordination of EU positions on TRA in international forums.**
- **Ready to develop joint positions of Member States and Commission for policy dialogue at regional and country level, e.g. poverty reduction strategies/ national development plans.**

## IRELAND

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2005	546 mio €	0.40
2006	675 mio €	0.47
2007	793 mio €	0.50
2008	922 mio €	0.54
2009	1, 066 mio €	0.58
2010	1, 227 mio €	0.62

- Measures taken for increase of ODA for Africa: Ireland at present directs at least 80% of bilateral programme aid to Africa.

### Innovative sources of financing

- Not ready to implement innovative sources of financing:
- **Innovative sources of finance should be additional to ODA**, both on the revenue side and on the expenditure side. This means that they should provide additional resources and not be merely a means of meeting current ODA commitment on the part of donors. Clarity on this is a necessary condition for Ireland's participation. International taxation proposals should involve reasonable burden sharing in terms of economic impact. Taxation should have policy objectives as well as revenue raising ones. Current proposals concentrating on air travel taxation fall short on both criteria. Governance, policy and decision making on expenditure, and particularly the role of developing countries, should be clarified.

### Debt

- **Prepared to take action** against **commercial creditors** registered in the MS to refrain from filing law-suits against HIPC's.
- **Not prepared to support WB debt reduction facility** to buy back commercial debt of HIPC's
- Not concerned by extension of country list of eligible HIPC's.
- **In favour of extension of G8 multilateral debt relief proposal to other multilateral/ European institutions:** IADB, EC/EDF loans managed by EIB, ADB, and other regional multilateral banks.



- In favour of additional temporary debt service suspension, if required for countries affected by exogenous shocks.
- Comments: For DCI the measure of success of any debt relief or cancellation mechanism is whether it increases resources available for poverty-reducing expenditure in the country whose debt is being reduced. For this, debt relief must be funded out of additional ODA and external resource flows to the beneficiary must be maintained or increased as the debt relief is applied. Current mechanisms fall short on both of these criteria. Measures to ensure debt sustainability must take into account the need for public expenditure on poverty reduction. Limiting external concessional borrowing without providing increased grant resources will result in a widening of the MDG financing gap and/or will force poor countries into borrowing under less favourable conditions. Sustainability cannot be considered to have been achieved if, as a consequence, development expenditure is constrained. The new Debt Sustainability Framework will, through its Modified Volume Approach, reduce resources for development expenditure and is therefore inappropriate.

### **Aid effectiveness**

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination:
  - At headquarters (HQ): The Paris Declaration was widely disseminated. A Seminar on Harmonization and Alignment was held. As part of the induction programme for new staff entering the Division after the summer, a session on Aid Effectiveness and Harmonization and Alignment was held.
  - Field level: The Paris Declaration was disseminated to all Field Missions
- Guiding principles for complementarity/ division of labour: it should also cover actions under implementation, should address the existing gap; Ireland is ready for some partial redeployment of bilateral activities. Redeployment: in the process within the Joint Assistance Strategies which are underway in Tanzania, Zambia and Uganda. Ireland subscribes to the principle of active engagement in only three sectors, plus budget support, and will be engaging with partner governments and all other donors concerned to bring that about.
- Channels used for implementing increasing ODA volumes: government to government cooperation; local authorities/organisations, NGOs, partnerships with other bilateral donors, and UN system.
- Favoured form of aid: programme aid and global funds, sectoral budget support (targeted at health, education, sanitation, infrastructure, etc.....) with an annual review of conditions.
- Comments: DCI believes that harmonization and alignment, complementarity and the division of labour are issues to be worked out on a donor-wide basis as stated in the report of the Ad Hoc Working Party on Harmonization and Alignment. All donors who are committed to improving effectiveness must work together under the leadership of the partner government to work out who can best do what. This is the way in which Ireland and other EU member states are working through these issues in Tanzania, Zambia and Uganda under the JAS process.

### **Exogenous shocks**

- No support to GIIF.
- Comments: DCI has no plans as yet with regard to the GIIF. DCI recognises Risk, Vulnerability and Social Protection as key issues and will engage in appropriate responses to them

### **Untying of aid**

- Food aid: Ireland contributes in cash to the WFP.
- Comments: Ireland's official development assistance is entirely untied

### **International Public Goods**

- No position on the proposed definition of GPG.
- Contribution of International Task Force to IPG debate: The issue of GPGs and their impact on an environment that is conducive to development, its impact on ODA, its implications for global governance in the future. Engagement with the issue, with a view to ensuring that developing country interests and poverty reduction are major criteria when GPGs are defined and when funding, delivery and governance mechanisms are determined, will be important. The taskforce has brought GPGs to the table as a means of contributing to development. However, the strong linkage to poverty reduction and the use of GPGs as an extra source of financing in addition to ODA as originally envisaged in the Taskforce's work have been significantly weakened. Governance of GPG provision and the involvement of developing countries remain a concern. The interface between the global processes involved in GPGs and country level policy and strategy process has not been adequately dealt with. Harmonisation and co-ordination concerns need to be addressed.

### **Reform of the International Financial System**

Proposed measures to improve EU coordination at WB/ IMF/ regional development banks: under consideration.

- **In favour of more systematic joint EU statements at IFIs.**
- **In favour of an enhanced coordination mechanism with WB/ IMF.**

### **Trade Related Assistance**

- Plans to increase TRA

## Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	AITIC (Agency for International Trade Information and Cooperation) €280,000 WTO-ACWL (Advisory Centre on WTO Law) €270,990 Integrated Framework €200,000 UNCTAD-AMAD ( Agricultural Market Access Database) €25,000 ITC (International Trade Centre) Global Trust Fund €152,219 ITC Timber Project Mozambique €80,480		
2005	AITIC (Agency for International Trade Information and Cooperation) €280,000 WTO-DDA Global Trust Fund €300,000 WTO –Internships €120,000 WTO-LDCs participation at 6th Ministerial Meeting Hong Kong €45,000 ITC (International Trade Centre) Global Trust Fund €170,000 JITAP ( Joint Integrated Technical Assistance Programme..) € 300,000.		
2006	AITIC (Agency for International Trade Information and Cooperation) €280,000 ITC (International Trade Centre) Global Trust Fund €500,000. Further allocations from increased funding of €2.9m to be determined		
2007	AITIC (Agency for International Trade Information and Cooperation) €280,000 This will be the fourth payment of a five-year funding commitment		

- Preferred channels for provision of TRA: international institutions (for example WTO, UNIDO, UNCTAD, JITAP, Integrated Framework (IF), regional institutions related to trade and development, individual countries
- Preferred options for channelling increased ODA for TRA: enhanced Integrated Framework, a multilateral fund for cross-country and regional “aid for trade” projects, a multilateral fund to address adjustment concerns
- Adequate coordination by the EU informal trade and development expert group of the Art. 133 committee.
- Adequate coordination of EU positions on TRA in international forums.
- Comments: Ireland very much welcomes the increased focus on Aid for Trade and believes that the current initiatives on Aid for Trade in the context of the DAC harmonisation agenda for aid effectiveness will help LDCs to take greater advantage of the benefits of international trade. In particular, Ireland welcomes the fact that assistance will go beyond the current level of TRA to include adjustment costs to offset the negative effects of trade reform, such as loss of tariff revenue, and possible preference erosion. Adjustment costs should be estimated by the appropriate international organisations. Developing countries should also be supported in undertaking poverty and social impact analyses to maximise benefits and minimise losses from trade reform. Funding of aid for trade should be grant-based Following Ireland’s strong support for the EU package delivered at Hong Kong, funding for Aid for Trade has doubled for 2006.

## ITALY

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	n.a.	0.15
2005	n.a.	0.23-0.25
2006	n.a.	n.a.
2007	n.a.	n.a.
2008	n.a.	n.a.
2009	n.a.	n.a.
2010	n.a.	n.a.

- Measures taken to increase ODA for Africa: Africa will continue to be Italy's first priority

### Innovative sources of financing

- **Ready to implement innovative sources of financing**: IFF Immunisation and Italy will participate in one or more initiatives, still to be decided. Advance market commitments are also being explored as an alternative.

### Debt

- **No extension of G8 multilateral debt relief proposal to other multilateral/ European institutions**: the Evian approach and IMF Shocks Facility should be enough.

### Aid effectiveness

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination:
  - HQ: dissemination of the conclusion of the HLF
  - Field level: increased participation in donor coordination and harmonisation mechanisms
- Guiding principles for complementarity/division of labour: it should address the existing gap.
- Channels used for implementing increasing ODA volumes: government-to-government cooperation, local authorities, NGOs, EC, WB-IMF, UN System, regional development banks, WTO.

- Favoured form of aid: project aid and TA projects; debt relief. Sector budget support, latter subject to an annual review of conditions.

### **Exogenous shocks**

- No support to GIIF.

### **Untying of aid**

- Conditions on cash transactions for food aid are applied.

### **International Public Goods**

- No position on the proposed definition
- Limited contribution of International Task Force to IPG debate as international attention paid to GPG's seems to have declined in recent months.

### **Reform of the International Financial System**

- No reply.

### **Trade Related Assistance**

- Plans to increase TRA
- Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	No reply		
2005			
2006			
2007			

- Preferred channels for provision of TRA: international institutions
- Preferred options for channelling increased ODA for TRA: enhanced integrated framework or TRA activities promoted by international organisations.
- Adequate coordination through Art. 133 committee – EU informal trade and development expert group.
- Adequate coordination of EU positions on TRA in international forums.

## LATVIA

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	6.7 Mio. €	0.06
2005	7.2 Mio. €	0.06
2006	7.6 Mio. €	0.06
2007	10.3 Mio. €	0.07
2008	n. a.	n. a.
2009	n. a.	n. a.
2010	n. a.	n. a.

- Latvia does not have multi-annual budget planning and this makes it impossible to predict the precise ODA volume increase on an annual basis.
- Possible measures to achieve 0.7% ODA/GNI: development cooperation policy program and concept to increase financing for ODA for 2006-2010 are in progress.
- No bilateral activities are planned in Africa during 2006.

### Innovative sources of financing

- Not ready to implement innovative sources of financing. The following conditions would have to be in place for LV to reconsider its position: Information available from experienced MS; results of feasibility and impact studies.

### Debt

- Provisions made to fulfil financial commitments to HIPC initiative.
- **Not prepared to take action against commercial creditors** registered in the MS to refrain from filing law-suits against HIPCs.
- **Not prepared to support WB debt reduction facility** to buy back commercial debt of HIPC.
- Not concerned by extension of country list of eligible HIPCs.
- **Against extension of G8 multilateral debt relief proposal to other multilateral/ European institutions.**

- In favour of an additional temporary debt service suspension, required for countries affected by exogenous shocks as and when implementation of G8 proposals are not sufficient to secure long-term macro-economic viability for countries affected by exogenous shocks.

### **Aid effectiveness**

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination: none.
- Guiding principles for complementarity/ division of labour: it should also cover actions under implementation and address the existing gap. Latvia is ready for a certain, partial redeployment of its bilateral aid.
- Channels used for implementing increasing ODA volumes: EDF, EC budget, government to government cooperation, local authorities, NGOs as well as partnership with other bilateral donors.
- Favoured form of aid: project aid and TA projects.

### **Exogenous shocks**

- No support to GIIF.

### **Untying of aid**

- No food aid in kind or in cash.

### **International Public Goods**

- No position on the proposed definition.
- No distinctive financial resources devoted to IPGs.

### **Reform of the International Financial System**

- Proposed measures to improve EU coordination at WB/ IMF/ regional development banks: LV supports the current cooperation mechanism within the IMF (effective and appropriate) but would welcome certain incentives to enhance EU coordination at the WB (more systemic approach to cooperation and communication between EU capitals as well as greater intensity of EU statements). LV is not a member of any regional development bank.
- **Agree to more systematic joint EU statements at IFIs.**
- **In favour of an enhanced coordination mechanism with WB/ IMF.**
- Who should present agreed EU positions/ policies at the IMF/ WB Development Committee? EU presidency.

### **Trade Related Assistance**

- Plans to increase TRA

- Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	0		
2005	n.a.		
2006	n.a.		
2007	n.a.		

- Preferred channels for provision of TRA: individual countries and NGOs.
- Preferred options for channelling increased ODA for TRA: a multilateral fund for cross-country and regional “aid for trade” projects
- Adequate coordination through Art. 133 committee – EU informal trade and development expert group.
- Adequate coordination of EU positions on TRA in international forums.
- **Ready to develop joint positions of Member States and Commission for policy dialogue at regional and country level**, e.g. poverty reduction strategies/ national development plans.



## LITHUANIA

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	7.77 Mio. €	0.042
2005	12.2 Mio. €	0.063
2006	13.5 Mio. €	0.064
2007	15.05 Mio. €	0.066
2008	17.58 Mio. €	0.07
2009	n. a.	
2010	n. a.	

- Figures are very preliminary as the Lithuanian development budget is planned annually.
- Measures taken to increase ODA for Africa: at present, Lithuania has no bilateral development relations with countries in Africa. Nevertheless, the MFA is seeking opportunities to implement several pilot development projects in some African countries, possibly together with “old” donor countries. There are ideas for projects with France in Mauritania.

### Innovative sources of financing

- Not ready to implement innovative sources of financing. The following conditions should be in place to make Lithuania reconsider its position: Information available from experienced MS; results of feasibility and impact studies available.

### Debt

- Lithuania joined the EU after 2002 and has made no provision yet to fulfil its financial commitments to the HIPC initiative.
- **Not prepared to take action against commercial creditors** registered in the MS to refrain from filing law-suits against HIPCs.
- **No support to WB debt reduction facility** to buy back commercial debt of HIPC
- Not concerned by extension of country list of eligible HIPCs.
- Against an extension of G8 multilateral debt relief proposal to other multilateral/ European institutions

- Uncertain about the requirement of additional debt service suspension for countries affected by exogenous shocks beyond G8 initiative.

### **Aid effectiveness**

- No instructions adopted to disseminate EU commitments on harmonisation/ coordination
- Guiding principles for complementarity/ division of labour: it should cover both donors' activities and systems
- Preferred channels for implementing increasing ODA volumes: government to government cooperation, multilateral, partnerships with other bilateral donors, UN system.
- Favoured form of aid: project aid and TA projects and global funds.

### **Exogenous shocks**

- No support to GIIF.

### **Untying of aid**

- No indication.

### **International Public Goods**

- No position on the proposed definition (position expected by the end of 2006).

### **Reform of the International Financial System**

- Proposed measures to improve EU coordination at WB/ IMF: no specific proposals yet.
- Proposed measures to improve EU coordination at regional development banks: LT is not a member
- **Agree to more systematic joint EU statements at IFIs.**
- **In favour of an enhanced coordination mechanism with WB/ IMF.**
- Who should present agreed EU positions/policies at the IMF/WB Development Committee? The European Commission whenever issues of exclusive competence are concerned.

### **Trade Related Assistance**

- Plans to increase TRA

- Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004-7	n. a.		

- Preferred channels for provision of TRA: international institutions and individual countries.
- Preferred options for channelling increased ODA for TRA: enhanced integrated framework, multilateral fund for cross-country and regional “aid for trade” projects.
- Adequate coordination through Art. 133 committee – EU informal trade and development expert group.
- Adequate coordination of EU positions on TRA in international forums:
- **Ready to develop joint positions of Member States and Commission for policy dialogue at regional and country level**, e.g. poverty reduction strategies/ national development plans.

## LUXEMBOURG

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2005	188 981 534 €	0.83
2006-10	Target of 0.7% reached since 2000	

- LU will pursue its efforts to increase ODA in order to **reach the 1% target in coming years**, pending parliamentary approval.
- Measures taken for increase of ODA for Africa: the main effort of LU is concentrated on 10 countries, 6 of these are in Africa (Burkina Faso, Mali, Senegal, Cape Verde, Namibia, Niger).

### Innovative sources of financing

- Ready to implement innovative sources of financing: airline ticket levy and (possibly) IFF immunization.

### Debt

- **Prepared to take action against commercial creditors** registered in the MS to refrain from filing law-suits against HIPC.
- **Not prepared to support WB debt reduction facility** to buy back commercial debt of HIPC
- Impact of extension of country list of eligible HIPC will substantially increase the costs of HIPC and post-HIPC actions according to IMF/WB.
- **Agree to extension of G8 multilateral debt relief proposal to other multilateral/European institutions**: yes to the IADB, EC/EDF loans managed by the EIB, ADB and EIB (own resources)
- Agree to additional temporary debt service suspension for countries affected by exogenous shocks if implementation of G8 proposals not sufficient to secure long-term macro-economic viability for such countries.

### Aid effectiveness

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination: HQ: all members of Cooperation Directorate informed; instructions for field level yet to be decided.
- Guiding principles for complementarity/ division of labour: should cover both donors' activities and systems; should address the existing gap (orphan countries/sectors)

- Channels used for implementing increasing ODA volumes: bilateral cooperation (Government/ Government; local authorities/ organisations; NGOs); EC (budget, EDF); multilateral, regional. European institutions (WB/ IMF; UN system; regional development banks; WTO); other.
- Favoured form of aid: project aid; sector wide approaches.

### **Exogenous shocks**

- No support to GIIF.

### **Untying of aid**

- No conditions/ no system of local preferences applied to food aid.

### **International Public Goods**

- No position on the proposed definition.
- Contribution of International Task Force to IPG debate: not decided.

### **Reform of the International Financial System**

- Proposed measures to improve EU coordination at WB/ IMF/ regional development banks: Existing EU coordination regarding IMF issues via EFC subcommittee is good starting point for discussing possible mechanisms to be used for improving EU coordination in other forums. Coordination at IMF considered satisfactory.
- **Agree to more systematic joint EU statements at IFIs.**
- **In favour of enhanced coordination mechanism with WB/ IMF.**
- Who should present agreed EU positions/ policies at the IMF/ WB Development Committee? European Commission, as and when issues of exclusive community competence are concerned; EU presidency.
- Comments: EU presidency is a good channel but it might be worthwhile to look at a more permanent representation of EU positions that is considering a longer period of representation. The six monthly rotation scheme is not helpful. Work could be oriented towards a larger role for the European Commission.

### **Trade Related Assistance**

- Plans to increase TRA: Yes.

# Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	€140000 to WTO and assistance to NGOs		
2005	€250000 to WTO Global Trust Fund and assistance to NGOs		
2006	At least as much as in 2005.		
2007	At least as much as in 2005.		

- Preferred channels for provision of TRA: International institutions, Integrated Framework.
- Preferred options for channelling increased ODA for TRA: to be decided.
- **Adequate coordination in Art. 133 committee – EU informal trade and development expert group.**
- **Adequate of coordination of EU positions on TRA in international forums.**
- **Ready to develop joint positions of Member States and Commission for policy dialogue at regional and country level, e.g. poverty reduction strategies/ national development plans.**

## MALTA

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount*	As % of GNI
2004	7 668 315 €	0.18
2005	7 495 183 €	0.18
2006	8 528 544 €	0.20
2007	7 249 262 €	0.17
2008	7 249 262 €	0.17
2009	7 249 262 €	0.17
2010	7 249 262 €	0.17

*\*based on GNI for 2004 (!)*

- Measures taken to increase ODA for Africa: possibly introduce bilateral cooperation with countries of sub-Saharan Africa.

### Innovative sources of financing

- Not ready to implement innovative sources of financing.

### Debt

- Provisions to fulfil financial commitments to HIPC initiative: not applicable. Malta has no outstanding debt that qualifies for cancellation.
- **Not prepared to take action against commercial creditors registered in the MS** to refrain from filing law-suits against HIPCs: Malta might not want to go beyond exerting friendly persuasion or peer pressure upon commercial financial institutions to refrain from filing lawsuits against HIPC.
- Support WB debt reduction facility to buy back commercial debt of HIPC? Malta remains committed to study carefully any initiatives to mobilize resources of the international multilateral agencies towards reducing debt burdens of poorest nations. The question on the financing mode also remains open.
- Not concerned by extension of country list of eligible HIPCs.
- HIPCs are unlikely to achieve a sustainable external debt position without more generous debt relief. In this regard, and also from the point of view of distributing the burden of debt relief more fairly across regions and debtors, there could be scope for extending the G8 proposal to other entities, whether based in the EU or elsewhere. However, the timing and

volume of such debt relief should: (1) be managed in a manner which preserves the viability of the regional/European institutions in question (e.g. regional/international institutions could agree on a time frame subject, for example, to a maximum of 10 years, during which they should have cancelled all eligible debt, but without requiring all multilateral development banks / EU institutions to effect the cancellation simultaneously in a specific year); (2) be subject to some assurance (which need not take the form of IMF-type conditionality) that these countries are pursuing sound macro-economic policies.

- Uncertain as to whether an additional debt service suspension should be required for countries affected by exogenous shocks: Uncertain as between the first two options (yes to both, if implementation of G8 proposals is not sufficient to secure long-term macro-economic viability for countries affected). On the one hand, exogenous shocks such as natural disasters and sudden swings in commodity prices are beyond the control of a country, and often too large in relation to the resources of a developing country. Moreover, survival often requires the prompt availability of foreign currency to service debt (according to a recently published IMF paper). This would justify a “yes” answer. On the other hand, an unconditional “yes” might create a moral risk, in that the expectation of automatic suspension of debt servicing payments might lead these countries to refrain from structural reforms which would make the economy less vulnerable to a particular sector or, to take action to mitigate the effects of natural disasters. The paper suggests that, in some instances, the problem has been aggravated by the borrowing country’s own policies. This issue of moral risk would not be an issue if the suspension is indeed temporary, but it could become a problem if a measure which is meant to be temporary proves to be permanent. Given that the IMF itself is making the funding available under its exogenous shocks facility subject to certain conditions (lending to deal with these shocks is not provided automatically) and in view of the Fund’s own experience with (lending into arrears), the second option (the one with the G8 proviso) may also be feasible.

### **Aid effectiveness**

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination: none.
- Guiding principles for complementarity/ division of labour: it should cover both donors’ activities and systems.
- Channels used for implementing increasing ODA volumes: Government to government cooperation, NGOs, the UN system.
- Favoured form of aid: project aid and TA projects.

### **Exogenous shocks**

- Support to GIIF: Malta remains committed to study proposals by the EU Commission on how the insurance cover is to be financed.

### **Untying of aid**

- Not applicable.



### **International Public Goods**

- No position on the proposed definition. No comments on when the decision will be taken.
- No position on the contribution of the International Task Force.

### **Reform of the International Financial System**

- Proposed measures to improve EU coordination at WB-IMF level: bringing together representatives of finance ministries on the EFC committee and their counterparts from foreign affairs ministries through joint meetings every 2 months, for instance.
- **Agree to more systematic joint EU statements at IFIs.**
- **In favour of enhanced coordination mechanism with WB/ IMF.**

### **Trade Related Assistance**

- No plans to increase TRA unless there is a specific demand for it.
- Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	Evaluated on a case by case basis		
2005	Evaluated on a case by case basis		
2006	Evaluated on a case by case basis		
2007	Evaluated on a case by case basis		

- Preferred channels for provision of TRA: international institutions, regional institutions and individual countries.
- Preferred options for channelling increased ODA for TRA: no reply.
- **Adequate coordination through Art. 133 Committee – EU informal trade and development expert group.**
- **Adequate coordination of EU positions on TRA in international forums.**
- Ready to develop joint positions of Member States and Commission for policy dialogue at regional and country level, e.g. poverty reduction strategies/national development plans? Trade policy issues are discussed during Art. 133 meetings, when MS are consulted on specific trade-related issues.

## NETHERLANDS

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	3.386.694.000 €	0.73
2005	4.103.742.000 €	0.83
2006	4.221.242.000 €	0.82
2007	4.361.230.000	0.81
2008	4.446.497.000	0.80
2009	4.653.057.000	0.80
2010	4.847.537.000	0.80

- Measures taken for increase of ODA for Africa: approximately 50% is expected to be spent in Sub-Saharan Africa in 2005. According to the budget estimates, this percentage will gradually increase in the next years.

### Innovative sources of financing

Not ready to implement innovative sources of financing: The following conditions should be in place in order to make Netherlands reconsider its position: participation of all MS.

Comments: Netherlands **does not consider participating in the IFF** mechanism. A possible introduction of an air ticket or kerosene tax is subject of active consideration. The decision to implement this will also depend on the existence of a critical mass of EU-countries implementing such a tax. Given our existing ODA-performance, Netherlands would use the revenues for other purposes. **Debt**

**Prepared to take action** against **commercial creditors** registered in the MS to refrain from filing law-suits against HIPC's on a case by case basis.

**Prepared to support WB debt reduction facility to buy back commercial debt** of HIPC on a case by case basis

Not much concerned by extension of country list of eligible HIPC's (only Sri Lanka, costs being currently assessed).

The Netherlands is extension of G8 multilateral debt relief proposal to other multilateral/ European institutions.

Netherlands is **prepared to take action to convince commercial creditors registered in the Netherlands to refrain from filing law-suits against HIPC countries** and to **finance the**

**existing Debt Reduction Facility of the World Bank** helping HIPC countries buying back commercial credits on a case by case basis.

### **Aid effectiveness**

What kind of instructions adopted to disseminate EU commitments on harmonisation/coordination:

- At headquarter (HQ): special department on Aid Effectiveness was established. There is a strong political commitment from the political and senior management of the Ministry. Joint Assistance Strategies Head Quarter has indicated that the Netherlands is willing to contribute to enhanced joint programming and even to enhanced complementarity.
- Field level: In December 2004 an instruction letter was sent by DG Keller and DG Manservigi to all embassies to identify –together with other Member States and the European Commission in a specific country- the need for the development of a Road Map. Such a Road map should indicate specific steps needed to increase harmonisation efforts. Almost 20 embassies responded and gave a mixed answer about the need for a Road Map. Almost one year later, in October 2005, Dutch Embassies were requested to send their experiences with the EU harmonisation efforts in the field. 22 Dutch Embassies responded with different observations. Some saw possibilities for a separate EU Road Map exercise (Indonesia, Benin, Yemen), other observed some spin-off of the Road map, (Vietnam, Mali, Ethiopia, Bangladesh, Macedonia, Kenya, South Africa) a third group saw no need for a Road Map ( Uganda, Tanzania, Zambia, Mozambique, Bolivia, Colombia, Surinam, Guatemala, Georgia, Armenia, Palestine Territories).

Guiding principles for complementarity/ division of labour: it **should cover both donors' activities and systems**; it should **also cover actions under implementation and address the existing gap**. Finally, Netherlands is **ready for a certain, partial redeployment** of its bilateral activities. Redeployment: In 1998 a substantial decrease of the number of partner countries took place (from more than 100 to 49). At this moment we have 36 partner countries, have decreased the number of sectors we are involved in and are willing to take further steps in in-country complementarity. The discussion has not yet reached the across country complementarity, but the Netherlands has an open attitude to this.

Comments: As was expressed by Commission at a seminar on EU Aid Effectiveness, implementation of the Council conclusions of November 2004 and the Paris Commitments is urgently needed. The Netherlands support such a statement but would like to emphasize that a proper institutional setting is required within the EC and EU in order to monitor, follow up and act on the experiences, the problems encountered in this agenda. It is also recommended that a kind of facilitation network will be established between the HQ in the various capitals and the embassies in the field. Such a facilitation network can assist in identifying constraints and act in the identification of solutions.

## **Exogenous shocks**

Support to GIIF. The GIIF is intended to be a commercial operation, without government involvement. But it is understood that funding is needed for the transitional period until the GIIF is fully operational. The Netherlands supports the Commodity Risk Management Group (CRMG) of the World Bank in its activities. These are intended to be phased out in due time, when the GIIF provides a market based alternative. We have been asked to provide financial support of USD 1 million per year (for the Bank's FYs 2006, 2007 and 2008) for technical assistance in the transitional period, for scaling up the pilot CRM-programmes and to demonstrate commercial viability (i.e. GIIF-ability). The request is under consideration, but we are unlikely to provide more than half of the requested contribution. We would also like to see more donors involved. Conditions: Apart from the availability of funding possibilities within our own budget, conditions would be sufficient progress in the establishment of the GIIF, a clear work plan and more detailed financial plan for the CRMG-activities, and sufficient support from other donors.

## **Untying of aid**

The Netherlands actively supports the OECD/DAC proposals for the further untying of aid but will only implement these on a reciprocal basis, i.e. if they are also accepted and implemented by other OECD members.

Food aid: 100% in cash with no conditions on transactions and not applying a system of local preferences on humanitarian aid. Netherlands contribution for WFP is based on a "preference for local purchases". The Netherlands consistently advocates in favour of total untying of food aid.

## **International Public Goods (GPG)**

- No position on the proposed definition; judges premature any change of the definition before release of the final report.
- Contribution of the International Task Force to IPG debate: important but losing momentum because the final report is delayed substantially.
- Financial resources: it has provided an outline to the Task Force.
- Further comments: it is urgent to finalize the report by the international taskforce, but also important is to stick to a clear delineation of IPG in order to keep the commitment to finance IPG in a distinctive way.

## **Reform of the International Financial System**

- Proposed measures to improve EU coordination at WB/ IMF/ regional development banks: WB - The weekly meeting of EU ED's in Washington decides for which issues a common EU position is effective and co-ordinates the EU input. IMF - Coordination by SCIMF (for issues of exclusive EU competence), and in addition EU ED's decide during their weekly meetings in Washington for which issues a common EU position is effective and co-ordinate the EU-input.

- **Not in favour of more systematic joint EU statements at IFIs.**
- **Not in favour of an enhanced coordination mechanism within WB/ IMF.**
- Who should present agreed EU positions/ policies at the IMF/ WB Development Committee? **The European Commission, as and when issues of exclusive community competence is concerned.**

### Trade Related Assistance

- No plans to increase TRA

Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	€16.834.590	€56.050.560	€28.800.000
2005	n.a.		
2006	Not possible to predict TRA commitments for 2006-2007. Commitments in 2002, 2003 and 2004 exceed 2.5% of bilateral aid, which is likely to continue (excluding infrastructure).		
2007			

- Preferred channels for provision of TRA: regional institutions related to trade and development, individual countries, and direct support to private sector or public-private partnerships. This support will be given at the country level, but also through global programmes (such as the Centre for the promotion of import from developing countries).
- Preferred options for channelling increased ODA for TRA: NL is in favour of strengthening the effectiveness of the IF but, as yet, will not give financial support to an enhanced IF. NL will focus its continued efforts on TRTA on the bilateral channel.
- Coordination by the EU informal trade and development expert group of the Art. 133 committee: not adequate. The tools seem to be too many, resulting in no effective coordination. The focus of coordination is the country level, with back-up by headquarters. Coordination should include non-EU donors and multilateral agencies. Intra-EU coordination in Brussels could be promoted by a regular review per recipient country of the progress in mainstreaming trade in PRSP and actual and foreseen TRA commitments.
- Coordination of EU positions on TRA in international forums adequate.
- **Ready to develop joint positions** of MS and Commission for policy dialogue at regional and country level, **for improved integration of TRA into** e.g. poverty reduction strategies/ national **development plans.**

Comments: No increase of allocations for TRA is planned at this moment, as NL already commits 2.7% of its bilateral assistance to TRA. NL is in favour of increasing TRA commitments, but not of new input targets. New commitments are primarily made at country level as part of the recipient country development strategy. Input targets would interfere with the ownership principle.

## POLAND

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	94 Mio. €	0.05
2005	200 Mio. €	0.09
2006	250 Mio. €	0.1
2007	300 Mio. €	0.11
2008	355 Mio. €	0.12
2009	440 Mio. €	0.14
2010	570 Mio. €	0.17

- Possible measures to achieve 0.7%: gradually increase the aid volumes provided through all major assistance channels and instruments
- Measures taken to increase ODA for Africa: Poland will allocate an increasing share of its aid in Africa by implementing aid programmes for priority countries in Africa (at present only Angola; the second target country should be chosen in 2006), by using a small-grant scheme to cofinance small and micro projects in African countries, as well as by providing more aid through international organisations and delivering food aid.

### Innovative sources of financing

- Not ready to implement innovative sources of financing: The following conditions should be in place to make Poland reconsider its position: information available from experienced MS; results of feasibility and impact studies; in general, Poland's priority is to increase its traditional ODA level and its effectiveness as well as to provide debt relief.
- Challenges/ obstacles expected when introducing innovative sources of financing: IFF: mismatch of multi-annual commitments and annual budgeting process in PL; airline levy: market disruptions, losses in the sector.

### Debt

- PL has made no provision to fulfil its commitment to the HIPC initiative and is not prepared to follow the EU commitment to go beyond the HIPC targets.
- **Not prepared to take action against commercial creditors** registered in the MS to refrain from filing law-suits against HIPCs.

- **Not prepared to support WB debt reduction facility** to buy back commercial debt of HIPC
- Not concerned by extension of country list of eligible HIPCs.
- **Against extension of G8 multilateral debt relief proposal to other multilateral/ European institutions.**
- Uncertain concerning the additional debt service suspension required for countries affected by exogenous shocks.

### **Aid effectiveness**

- Instructions were adopted to disseminate EU commitments on harmonisation/ coordination:
  - HQ: working government document currently under preparation.
  - field level: gradually becoming involved in the aid effectiveness and harmonisation agenda.
- Guiding principles for complementarity/ division of labour: it should cover both donors' activities and systems, as well as address the existing gap.
- Channels used for implementing increasing ODA volumes: government to government cooperation, NGOs, EC Budget, UN system.
- Favoured form of aid: sectoral budget support with an annual review of conditions.

### **Exogenous shocks**

- No support to GIIF.

### **Untying of aid**

- Assistance only in cash without conditions or system of local preferences.

### **International Public Goods**

- Agree to proposed definition
- Contribution of the International Task Force to IPG debate: move forward the debate on the scope for using ODA resources to finance the GPGs.
- Financial resources to GPGs: difficult to assess at the present stage.

### **Reform of the International Financial System**

- Proposed measures to improve EU coordination:
  - WB: better alignment and views on development policies and initiatives important for WB considerations.



- IMF: no comment.
- Regional development banks: not applicable.

- **Agree on more systematic joint EU statements at IFIs.**
- **Not in favour of enhanced coordination mechanism with WB/ IMF.**
- Who should present agreed EU positions/ policies at the IMF/ WB Development Committee? The EU presidency.

### **Trade Related Assistance**

- Plans to increase TRA: Yes.
- Projected TRA-related ODA commitments: cannot be determined at this stage of ODA medium-term planning.

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	0	0	0
2005, 6, 7	n.a.		

- Preferred channels for provision of TRA: international organisations, individual countries and NGOs.
- Preferred options for channelling increased ODA for TRA: enhanced integrated framework and multilateral fund for cross-country and regional “aid for trade” projects
- **Adequate coordination through Art. 133 committee – EU informal trade and development expert group.**
- **Adequate coordination of EU positions on TRA in international forums.**
- **Ready to develop joint positions of Member States and Commission for policy dialogue at regional and country level, e.g. poverty reduction strategies/ national development plans.**

## PORTUGAL

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2005	n.a.	n.a.
2006	450 mio €	0.33
2007	517 mio €	0.37
2008	922 mio €	0.54
2009	661 mio €	0.45
2010	768 mio €	0.51

- Measures taken to increase ODA volumes: Reinforce the budget and financial programming of cooperation efforts, particularly through the Budgetary Programme for Portuguese Cooperation Abroad (P5), with a view to meeting the targets to which Portugal is internationally committed. Enhance effectiveness of Portugal's official development assistance by increasing the coordination of bilateral and multilateral interventions and reinforcing field supervision of the actions in which it participates. Maximise available technical and financial resources by promoting greater coordination of interventions by Portuguese public bodies and/or other Portuguese agents. Support the participation of civil society, particularly NGOs and individual cooperation agents, in ensuring the progress of the least advanced societies and economies. Improve the mechanisms designed to ensure the efficacy of aid and improve both the rate of implementation of the programmed actions and the absorption capacity of the beneficiary countries. Also concentrate expenditure on those sectors that are best able to turn it into official development assistance.
- Measures taken to increase ODA for Africa: Given Portugal's historical and cultural relations with the Sub-Saharan region of Africa, it has always been and will continue to be a priority for Portuguese cooperation, with the five Portuguese-speaking African Countries (PALOPs) as its main target. Between 80% and 90% of bilateral aid is channelled to Africa. Therefore, the strengthening and reinforcement of Portugal's relationship with the African Continent, both bilaterally and multilaterally, is one of the major future priorities. Plans to establish a closer partnership with Angola, Cape Verde, Mozambique and Sao Tome e Principe, at the institutional, business and civil society levels; continued support for the political and transitional process in Guinea Bissau; strengthening regional co-operation through the African Union (AU) and the New Partnership for Africa's Development (NEPAD). Reinforce Portugal's positioning in relation to the support given to the African continent in the various international forums at the level of the EU, UN and other major institutions.

## **Innovative sources of financing**

- Ready to implement innovative sources of financing: IFF immunization.
- Other innovative methods of financing: Portugal intends to support initiatives/projects aimed at promoting safer, easier and cheaper transfer of remittances to enhance their development impact, namely through financing and/or co-financing multilateral projects from its bilateral Trust Funds.

## **Debt**

- **Prepared to take action** against **commercial creditors** registered in the MS to refrain from filing law-suits against HIPC
- **Not prepared to support WB debt reduction facility** to buy back commercial debt of HIPC
- Not concerned by extension of country list of eligible HPCs.
- **Against extension of G8 multilateral debt relief proposal to other multilateral/ European institutions.**
- Uncertain about additional debt service suspension required for countries affected by exogenous shocks.

## **Aid effectiveness**

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination:
  - At headquarters (HQ): Portugal has prepared an Action Plan on H&A that draws on the EU report on “Advancing coordination, harmonization and alignment” and has been disseminated to all stakeholders (e.g. Ministries, NGOs, Embassies) and it is also accessible through IPAD’s website. The overall targets set by the EU at Paris were also disseminated through an “Insert” in a Portuguese newspaper (Jornal de Notícias). Country programmes are built upon partner country’s poverty reduction strategies, or similar frameworks. They are designed on a multi-annual basis to make aid flows more predictable. The country programme structure basically draws on the “European Common Framework for the Country Strategy Papers”.
  - Field level: The country level was heavily involved in the preparation of the Portuguese Action Plan on H&A, so they are also aware of the EU commitments. They are also involved in the process of country programming, providing the HQ with specific inputs for country strategies. Nevertheless, there is a need for further work between the HQ and the field level operations.
- Guiding principles for complementarity/ division of labour: it **should only focus on new initiatives, and should address the existing gap - Redeployment**: Portugal has been involved in the Budget Support programme in Mozambique under the aegis of the G15. It participates in the World Bank Trust Fund for East Timor. Considering that the health sector is an EC priority in East Timor, Portugal’s aid is channelled mainly to judicial

assistance and to training and capacity building as part of a strategy of complementarity with other donors. Nevertheless, there are further improvements to be made: Work on joint programming schemes, whenever possible, scaling up our programmes by turning them into a more comprehensive instrument with better coordination, to reduce the number of missions, work through delegated cooperation (e.g. under the aegis of the multilateral agencies).

- Channels used for implementing increasing ODA volumes: bilateral cooperation, EC, government to government cooperation; World Bank and IMF; Regional development banks/ institutions.
- Favoured form of aid: project aid and technical assistance projects; programme aid (budget support), general budget support (untargeted, directly to the government budget) with multi-annual review of conditions (every 3 years).

### **Exogenous shocks**

- No support to GIIF.

### **Untying of aid**

- Food aid: Portugal can support the untying of all food aid. However, it believes that it should concentrate on the actual implementation of the Recommendation as well as the monitoring and evaluation of the positive impacts it may have on aid effectiveness. Donors' efforts in promoting regional and local procurement under the Recommendation should be reinforced and recognized. However, Portugal delivers food aid only in emergency situations, thus on a non-regular basis. For that reason Portugal does not distinguish between aids in kind and in cash in its bilateral aid data. Other contributions through EC or the UN (Food Aid Organization or the World Food Programme) follow the regular multilateral channels.

### **International Public Goods**

- No position on the proposed definition of GPG.
- Contribution of International Task Force to IPG debate: no position.
- Other financial resources devoted to the provision of GPGs/IPGs: Resources from Defence budget allocated to peace and security activities by Portugal's preferential partners.

### **Reform of the International Financial System**

Proposed measures to improve EU coordination at WB/ IMF/ regional development banks: EU coordination prior to IFIs Board of Governors Annual Meetings as well as EU Executive Directors coordination and joint statements in the Board of Directors on common interest, as feasible.

- **In favour of more systematic joint EU statements at IFIs.**
- **In favour of an enhanced coordination mechanism with WB/ IMF.**

- Who should present agreed EU positions at the IMF/WB Development Committee: the **European Commission**, as and when issues of exclusive community competence are concerned.

### **Trade Related Assistance**

- Plans to increase TRA: Yes.

Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	1.3 mio €		
2005	n.a.		
2006	No projection yet		
2007	No projection yet		

- Preferred channels for provision of TRA: international institutions (for example WTO, UNIDO, UNCTAD, JITAP, Integrated Framework (IF), individual countries
- Preferred options for channelling increased ODA for TRA: enhanced Integrated Framework, a multilateral fund to address adjustment concerns
- **Adequate coordination by the EU informal trade and development expert group under the Article 133 committee.**
- **Coordination of EU positions on TRA in international forums: not adequate:**
- **Against development of joint positions of Commission and Member States for the policy dialogue at regional/ country level** (e.g. comments on poverty reduction strategies/ national development plans).

## SLOVAK REPUBLIC

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	910 Mio. SKK	0.072
2005	1225.4 Mio. SKK	0.085
2006	Not known yet	
2007	Not known yet	
2008	Not known yet	
2009	Not known yet	
2010	SK will strive to achieve 0.17%	

- Measures taken to increase ODA for Africa: focus further efforts to enhance involvement by increasing the number of projects in their priority countries in Africa (Sudan, Kenya, Mozambique) and also in close coordination with their traditional donor partners in the field, like UNDP, and partners from among EU25 or EU15..

### Innovative sources of financing

- Not ready to implement innovative sources of financing. The following conditions should be in place to make SK reconsider its position: Information available from experienced countries; results from feasibility and impact studies.

### Debt

- Provisions made to fulfil financial commitments to HIPC initiative. Ready to provide 100% bilateral pre-cut-off date debt cancellation for all claims.
- **Prepared to take action against commercial creditors** registered in the MS to refrain from filing law-suits against HIPCs.
- **Not prepared to support WB debt reduction facility** to buy back commercial debt of HIPC.
- Impact of extension of country list of eligible HIPCs on costs: only when considering cases of multilateral debt relief (figures not identified yet).
- **In favour of the extension of G8 multilateral debt relief proposal to other regional multilateral banks.**

- **In favour of an additional debt service suspension required for countries affected by exogenous shocks** if the implementation of the G8 proposals is not sufficient to secure long-term macro-economic viability for such countries.

### **Aid effectiveness**

- No instructions adopted to disseminate EU commitments on harmonisation/ coordination.
- Guiding principles for complementarity/ division of labour: it should focus on new initiatives only.
- Channels used for implementing increasing ODA volumes: UN system.
- Favoured form of aid: project aid and TA projects; debt relief.

### **Exogenous shocks**

- No support to GIIF.

### **Untying of aid**

- Share of food aid/ application of conditions to cash transactions/ application of a system of local preferences? 2003 – 100% in kind, 250t milk for Iraq; 2004 – 100% in cash, 0.8 Mio. SKK (20 000€) for Sudan; 2005 – 100% in kind, floods in Bulgaria and Romania. These are given under certain conditions but without system of local preferences.

### **International Public Goods**

- No position on the proposed definition.
- Contribution of International Task Force to IPG debate: launch of the debate on the identification of the scope of GPGs and the destination for their use.

### **Reform of the International Financial System**

- Proposed measures to improve EU coordination at WB/ IMF/ regional development banks: simplifying procedures, more financial transparency in consumption of funds, more emerging market involvement in fund management
- **Agree to more systematic joint EU statements at IFIs.**
- **Agree on enhanced coordination mechanism with WB/ IMF.**
- Who should present agreed EU positions/ policies at the IMF/ WB Development Committee? The European Commission as well as the EU presidency.
- Slovakia will foster a joint EU approach and not an individual one.

### **Trade Related Assistance**

- Plans to increase TRA: Yes.

#### Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	Not known		
2005	WTO: 8 Mio. SKK, UNIDO: 1.65 Mio. SKK		
2006 and 7	Not known yet		

- Preferred channels for provision of TRA: international institutions.
- Preferred options for channelling increased ODA for TRA: enhanced integrated Framework.
- **Adequate coordination through Art. 133 committee – EU informal trade and development expert group.**
- **Adequate coordination of EU positions on TRA in international forums.**
- **Ready to develop joint positions of Member States and Commission for policy dialogue at regional and country level, e.g. poverty reduction strategies/ national development plans.**



## SLOVENIA

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2005	30.000.000 €	0.15
2006	35.000.000 €	0.127
2007	40.000.000 €	0.141
2008	46.000.000 €	0.155
2009	52.000.000 €	0.169
2010	58.000.000 €	0.18

- Measures taken to increase ODA for Africa: it has been proposed by the MFA to incorporate into the 2006 budget the appropriate line to finance projects in Africa. The 2006 budget has not yet been approved and it is not clear whether the proposal will be included.
- Comments: The ODA volume is calculated on the basis of achieving at least 0.17% of GNI for ODA in 2010 and assuming the government is going to follow its commitment by increasing ODA by an equal percentage each year. The figures are based on the assumption of 3.5% average yearly economic growth. The volume of ODA may grow differently and will depend after 2007 upon the amount Slovenia is going to contribute to the 10th EDF.

### Innovative sources of financing

- No readiness to implement innovative sources of financing: The following conditions should be in place in order to make Slovenia reconsider its position: results of feasibility and impact studies available concerning the potential impact of each of the measure on respective industries (e.g. impact on demand for flights following the introduction of airline ticket levy, etc.).
- As yet, no other innovative methods of financing under review.

### Debt

- **No provision** to fulfil financial commitments to HIPC initiative.
- There are no commercial creditors registered in Slovenia.
- **Prepared to support WB debt reduction facility** to buy back commercial debt of HIPC
- Not concerned by extension of country list of eligible HIPCs.

- **Agree to extension of G8 multilateral debt relief proposal to other multilateral/ European institutions:** EC/EDF loans managed by the EIB.
- Agree to additional debt service suspension for countries affected by exogenous shocks if the implementation of G8 proposals is not sufficient to secure long-term macro-economic viability for affected countries.

### **Aid effectiveness**

- No instructions adopted to disseminate EU commitments on harmonisation/ coordination.
- Guiding principles for complementarity/ division of labour: it **should focus on new initiatives only**.
- Channels used for implementing increasing ODA volumes: government to government cooperation; local authorities/organisations, partnerships with other bilateral donors.
- Favoured form of aid: project aid and technical assistance projects.

### **Exogenous shocks**

- No support to GIIF.

### **Untying of aid**

- Food aid: direct contributions to WFP amount to less than 5% of ODA that is not channelled through the EU budget.
- Conditions applied to cash transactions and application of local preferences, i.e. contributions to multilateral organisations assisting in disasters/earthquakes are for specific purposes (for example Darfur, Sri Lanka)

### **International Public Goods**

- No position on the proposed definition of GPG. Slovenia expects to take a decision in 2006.
- Contribution of International Task Force to IPG debate: decision on providing an Action Plan at EU level.
- Non-ODA funds of national budgets devoted to IPGs: peace and security, and HIV/AIDS.

### **Reform of the International Financial System**

- Proposed measures to improve EU coordination at WB/ IMF/ regional development banks: EU co-operation with the Governing Boards of the IFIs and regional development banks should be part and parcel of the general EU strategy of development cooperation.

World Bank: constituents should be more intensively used to advance the EU approach. Actions of WB and EU in financing development should be as complementary as possible.

IMF: EU should complement its own analyses on developing countries with those prepared by IMF. It is crucial for the EU to speak with a coordinated voice.

- **In favour of more systematic joint EU statements at IFIs.**
- **In favour of an enhanced coordination mechanism with WB/ IMF.**
- The decision on who should present agreed EU positions/ policies at the IMF/ WB Development Committee: **European Commission.**

### **Trade Related Assistance**

- Plans to increase TRA: Yes.

Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	n.a.		
2005	n.a.		
2006	n.a.		
2007	n.a.		

- Preferred channels for provision of TRA: international institutions (for example WTO, UNIDO, UNCTAD, JITAP, Integrated Framework (IF), individual countries
- Preferred options for channelling increased ODA for TRA: enhanced Integrated Framework
- Coordination by the EU informal trade and development expert group of the Art. 133 committee: adequate.
- Coordination of EU positions on TRA in international forums: adequate.
- **Ready to develop joint positions** of MS and Commission for policy dialogue at regional and country level, **for improved integration of TRA into** e.g. poverty reduction strategies/ national **development plans.**

## SPAIN

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	1.956,18 mio €	0.24
2005	2.600,47 mio €	0.30
2006	3.234,34 mio €	0.35
2007	4.196,38 mio €	0.42
2008	5.246,98 mio €	0.50
2009	6.147,88 mio €	0.55
2010	7.136,26 mio €	0.60

- Comments: In terms of multilateral aid, there will be increasing participation in global funds and multilaterally sponsored initiatives focused on Africa. In term of bilateral aid, the Master Plan of Spanish Cooperation for 2005-2008 stresses that ODA to Sub-Saharan Africa needs to increase, and sets specific guidelines to that end: i) 20 % of bilateral ODA should be directed to Least Developed Countries, and ii) of the 23 priority countries which will take up 70% of bilateral ODA from Spain, 10 are African countries. The current estimate for 2006 indicates that these thresholds will be reached. In particular, a group of 20 countries - most of them in Sub-Saharan Africa (Togo, Dem. Rep. of Congo, Mozambique, Afghanistan, Equatorial Guinea, Sudan, Mauritania, Ethiopia, Angola, Haiti, Senegal, Cape Verde, Bangladesh, Burkina Faso, Tanzania, Guinea Bissau, Sierra Leona, Chad, Uganda and East Timor) - will receive 98% of the aid directed to Least Developed Countries.

### Innovative sources of financing

- Ready to implement innovative sources of financing: International Financing Facility (IFF), IFF immunization. Other innovative methods: in the light of its past experience Spain has set out, as part of the Initiative Against Hunger and Poverty (IHP), to identify measures which will help increase the impact of remittances as a development tool, in their dual character as a private flow and as a catalyst for development policy. Spain will attempt to apply these measures in a pilot project, and hopes to share its experience with other IHP countries.
- Challenges/ obstacles expected when introducing innovative sources of financing: Regarding the IFF, there should be adequate coordination between the global funds financed by the facility (i.e. in the case of IFFim) and country-level health-related development strategies, particularly with projects, health SWAPs and Direct Budgetary Support. This is clearly in the spirit of the Paris Declaration on Aid Effectiveness.

- Comments: A plan drawn up by Spain's Ministry of Finance has identified a series of measures to facilitate and strengthen remittance flows. These include: increased competition in the financial market dealing with remittance services to lower transfer costs; implementing regulations that remove obstacles to remittance flows; moving remittance transactions into the banking system; promoting savings and credit institutions focused on small and medium-sized businesses, and negotiating commercial agreements amongst financial entities in countries that generate and receive remittances. On this last point Spain finances a programme aimed at helping remittance-receiving financial institutions in isolated rural areas through the MIF. The Ministry of Finance is also proposing consumer protection measures to guarantee greater market transparency and is asking banks for more financial innovation, such as offering remittance-backed loans, to maximise the catalyst effect of remittances. Moreover, the plan suggests the need for a greater effort on statistics in order to obtain reliable data on remittance flows, and for promoting a public-private partnership to lower the barriers to efficient use of these private flows. As a consequence of this set of proposals, and in light of Spain's experience, an attempt will be made to mobilise the Spanish financial system, using framework agreements with financial entities in recipient countries to increase the credit capacity of remittance beneficiaries. As a first step, a pilot project will concentrate on specific geographic areas, such as Ecuador and Morocco. (This initiative fits in perfectly with the spirit of the IHP, as an innovative financial mechanism which may be generalised to other countries.) A third proposal for active participation by the Spanish Administration to increase development investment involves creating a network to provide investment consulting, linked to other lines of credit. These consultants would advise remittance receivers to make the most of their increased credit capacity in order to make development investments. This would be a first step to creating a co-operation policy to increase the impact of remittances. Fourthly, in a qualitative leap towards community benefits, and bearing in mind that remittances are generated by young immigrants for whom additional effort is difficult; an initiative has been proposed under the IHP to promote greater participation by financial institutions in development projects aimed at the collective good. The idea is to establish a public-private partnership, based on socially responsible corporate investments by financial institutions, and using the experience and collaboration of Spanish co-operation agencies in those countries where they have concentrated their efforts to date, and from which many of the immigrants living in Spain originate (including Ecuador and Morocco). This overall plan would have to be accompanied by appropriate co-ordination with the Spanish Administration, since such a scenario involves various agents. Close ties would need to be established with immigrant associations in Spain, given that they will be a key element in informing the immigrant population about these actions supporting remittances as a development tool, and that they could eventually become participants in co-operative actions, as reflected in the 3-for-1 programme. Public awareness campaigns should be carried out to increase confidence in the financial system and close the banking culture gap, both in Spain and in the recipient countries, creating a two-way communication benefiting both sides of the remittance equation. The role of Spanish co-operation agencies in development projects in recipient countries should be specific enough to strengthen the impact of remittance flows, and adequately co-ordinated to facilitate public-private partnerships with financial entities. To this end, the effort required from financial institutions and the best way to complement this effort with projects which will benefit specific communities in recipient countries need to be defined. Finally, an agreement with the MIF/IDB has been proposed to carry out the initiatives listed above in a co-ordinated and complementary manner with a country in Latin America, e.g. Ecuador. As noted earlier, the MIF has excellent experience in the area of remittances, specifically in this

country. The main obstacles currently faced in transforming remittances into a true motor of development are: excessive transfer costs, lack of necessary geographic coverage of financial institutions in the remittance recipient countries, absence of the necessary banking culture, and the need to increase the impact of remittances on the development of recipient countries.

## **Debt**

- **Prepared to take action** against **commercial creditors** registered in the MS to refrain from filing law-suits against HIPC.
- **Not prepared to support WB debt reduction facility** to buy back commercial debt of HIPC.
- Impact of extension of country list of eligible HIPCs on costs: with the inclusion of these four new countries, HIPC costs for Spain will increase by USD 38.4 millions due to Haiti's debt. As regards the countries which are being assessed, the only debtor to Spain is Bangladesh, with a claim of around 20 million US\$.
- **Agree to extension of G8 multilateral debt relief proposal to other multilateral/ European institutions:** to the IADB and other regional multilateral banks.
- **No additional debt service suspension required for countries affected by exogenous shocks.**
- Comments: On the debt coverage of other regional multilateral banks, Spain specifically would like to include the Banco Centroamericano de Integración Económica. On the implementation of the G8 proposal, in Spain's view, multilaterals should retain their preferential creditor status; therefore, their credits must be kept out of a pari passu rescheduling with regard to other official or private creditors. Regarding the Debt Reduction Facility of the World Bank to help HIPC countries to buy back commercial credits, the answer is open to reconsideration. Spain would like to know the Commission's position and whether the Commission would be prepared to reinvigorate this initiative, which has not been very active since its launch in 1989.

## **Aid effectiveness**

- What kind of instructions adopted to disseminate EU commitments on harmonisation/ coordination:
  - At headquarters (HQ): dissemination to statistics group, and field missions. Field Mission: Detailed workshops on the requirements and impact of the Paris Declaration have been scheduled.
  - Country level: Paris Declaration requirements and impact has been included in all Country Strategy Papers and in the Annual Strategic Plan of the Spanish Cooperation for 2006.
- Guiding principles for complementarity/ division of labour: it should cover both donors' activities and systems; it should also address the existing gap (orphan countries and sectors).

- Channels used for implementing increased ODA volumes: government to government cooperation, local authorities, organisations and NGOs, World Bank and IMF, UN system as well as regional development banks/institutions.
- Favoured form of aid: project aid and TA projects; global funds.

### **Exogenous shocks**

- Support to GIIF, but the amount and year to be disclosed later.

### **Untying of aid**

- Food aid: 5 % of aid is given in kind, and is provided when products are not available in local markets. 95% of aid is given in cash through direct transfers to NGOs, World Food Program and FAO, with conditions.

### **International Public Goods (GPG)**

- Agreement on the proposed definition of GPG.
- Contribution of International task Force to IPG debate: it is valuable because of its efforts to clarify a concept that is far too often broadly interpreted. The lack of a concise definition of IPGs has hindered the efficiency and coordination of international efforts towards good management of IPGs. Furthermore, Spain welcomes the efforts of the taskforce to select a short list of IPGs, and to explore links between the good management of international public goods and the achievement of the Millennium Development Goals.
- Other financial resources devoted to the provision of GPGs/IPGs: each ministry provides a share of resources to IPGs, so the following list of contributors is not exhaustive but merely illustrative: The Ministry of Education contributes to IPGs through technical cooperation and fellowships; the Ministry of Agriculture and the Ministry of Science and Technology through programmes, projects and scientific networks to counter desertification; the Ministry of Defence contributes through peacekeeping missions, the Ministry of Industry through technical cooperation in the promotion of energy efficiency, the Ministry of Finance and the Bank of Spain through technical cooperation in the area of finance and in the promotion of financial stability, and the Ministry of Health and Consumption through the promotion of a project and network to counter pandemic diseases.
- Further comments: Spain has a multidisciplinary approach to the provision of IPG, with special attention to the Mediterranean and Latin-America, where Spain has traditionally been present. In the Mediterranean, Spain is intensifying its efforts to build up a stable and peaceful environment as illustrated by the recent EuroMed Conference held in Barcelona. In addition, Spain is actively contributing to efforts to counter desertification in Mediterranean countries, not only through ODA but also through the development of scientific networks and public awareness campaigns. Spain is, for instance, preparing the international exposition of Zaragoza to be held in 2008 on the theme of “Water and sustainable development”.

## **Reform of the International Financial System**

- Position on proposed measures to improve EU coordination in WB/ IMF/ regional development banks:

World Bank: more detailed definition of EU competence agenda; regular coordination meetings; use EU as ad-hoc forum for coordination among Member State (MS) to express common positions in multilateral events sponsored by the World Bank. Use Commission expertise to improve aid coordination processes between MS + Commission field missions and the World Bank. Focus efforts specifically on MS cooperation with EU in setting up the “Scale Up for Results” implementation strategies.

IMF: More detailed definition of EU competence agenda. Regular coordination meetings. Use EU as ad-hoc forum of coordination among MS to assert common positions in multilateral events sponsored by the IMF. Focus efforts specifically on MS cooperation with EU in setting up the Scale Up for Results implementation strategies.

Regional development banks: More detailed definition of EU competence agenda. Regular coordination meetings. Use EU as ad-hoc forum for coordination among MS to assert common positions in multilateral events sponsored by the Regional Banks. Use Commission expertise to improve aid coordination processes between MS + Commission field missions and the Regional Banks.

- **In favour of more systematic joint EU statements at IFIs.**
- **In favour of an enhanced coordination mechanism within WB/ IMF.**
- Comments: Use common EU + MS position to reinforce actions to introduce more realistic vote-sharing arrangements within the World Bank and IMF, specifically to increase of weight of under-represented European and developing countries.

## **Trade Related Assistance**

- No plans to increase TRA.

Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Trade related infrastructure and other supply-side constraints
2004	661.172	531.296	105.618.577
2005	665.265	534.584	102.272.300
2006	669.357	537.873	106.926.023
2007	868.454	697.861	138.730.691

Note: Increase will be proportional to the general increase of Spain's ODA DAC statistical code used: (1) 33110 (2) 33120, 33130, 33140, 33181 (3) 21010, 21020, 21030, 21040, 21050, 21061, 21081



- Preferred channels for provision of TRA: international institutions (for example WTO, UNIDO, UNCTAD, JITAP, Integrated Framework (IF), regional institutions related to trade and development, individual countries.
- Preferred options for channelling increased ODA for TRA: a multilateral fund for cross-country and regional “aid for trade” projects.
- Coordination by the EU informal trade and development expert group of the Art. 133 committee: adequate.
- Coordination of EU positions on TRA in international forums: adequate
- Comments: There should be a more in-depth analysis of the development of South/South trade, and the instrumental role regional organizations can play. South-South trade is far from reaching its potential; indeed regional trade makes up only a fraction of North-South flows. Increased bilateral and multilateral efforts are needed to facilitate and provide necessary means for the development of South-South Cooperation. The European Union has expertise that can be further leveraged to promote regional trade organizations, which will be key to fostering trade among developing countries.

## SWEDEN

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	2 190 131 763 €	0.78
2005	2 586 710 240 €	0.882
2006	3 069 945 355 €	1
2007	3 281 423 804€	1
2008	3 464 044 944	1
2009	No growth assumptions available	1
2010	No growth assumptions available	1

- Measures to increase ODA for Africa: within the Swedish aid budget, the aid allocation to Africa is growing faster than any other (+30% between 2005 and 2006). Sweden's budget for humanitarian aid and conflict is also being increased, with a large part believed to be disbursed for Africa.

### Innovative sources of financing

- Ready to implement innovative sources of financing: IFF Immunisation
- As Sweden has passed the ODA level of 0.7%, it does not see itself as needing these vehicles to meet its international commitments. However, Sweden encourages and welcomes initiatives on innovative methods of financing that can help bring forward the financing necessary to achieve the MDGs.

### Debt

- **Prepared to take action against commercial creditors** registered in the MS to refrain from filing law-suits against HIPC
- **Prepared to support WB debt reduction facility** to buy back commercial debt of HIPC
- Not concerned by extension of country list of eligible HIPC.
- No extension of G8 multilateral debt relief proposal to other multilateral/ European institutions, as the question needs further elaboration before an answer can be given.
- Uncertain about requirement for additional debt service suspension for countries affected by exogenous shocks (depends on scope and modalities): the scope and modalities, and the relationship of the mechanism to already existing mechanisms, need to be clarified.

## **Aid effectiveness**

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination
  - HQ: letter by the Undersecretary of State and the DG of SIDA emphasising the priority of implementing the Paris Declaration was sent to all services. New guidelines for country cooperation strategies.
  - Field level: JAS process in Zambia and Tanzania, cooperation with other donors in implementing the Paris declaration.
- Guiding principles for complementarity/ division of labour: it should cover donors' activities and systems; it should also cover actions under implementation and address the existing gap.
- Channels used for implementing increasing ODA volumes: WB and IMF. Vertical funds like the Global Fund on HIV/AIDS, etc. will also be important channels for the increased Swedish ODA.
- Favoured form of aid: Program aid – budget support: general with an annual review of the conditions.

## **Exogenous shocks**

- No support to GIIF.

## **Untying of aid**

- 100% of food aid is in untied cash donations without conditions, but with a system of local preferences; mainly through WFP.
- Sweden's policy is to promote joint steps towards more untying of aid.

## **International Public Goods**

- Agree with proposed definition.
- Contribution of International Task Force to IPG debate: taking the debate away from academics and into the public sphere, could provide inspiration and hope, and inspire a debate on global governance and financing of GPGs.
- Not in the position to answer on the distinctive financial resources allocated to IPGs.

## **Reform of the International Financial System**

- Proposed measures to improve EU coordination:
  - WB: increased information sharing; promote common strategic interests; more in-depth EU discussions.

- IMF: increased information sharing; pursue joint interests; more in-depth EU discussions; select a “lead” speaker; elaborate a more medium-term work program; more systematic interaction between SCIMF/EURIMF and IMF staff and management.
- regional development banks: increased information sharing; promote common strategic interests; more in-depth EU discussions.

- **Not in favour of more systematic joint EU statements at IFIs.**
- **Against an enhanced coordination mechanism with WB/ IMF.**

### **Trade Related Assistance**

- Plans to increase TRA: Yes.

Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Overall
2004	7.8 Mio. €	10.2 Mio. €	22.2 Mio. €
2005	9.5 Mio. €	12 Mio. €	26 Mio. €
2006	12.3 Mio. €	15 Mio. €	33 Mio. €
2007	To be decided		

- Preferred channels for provision of TRA: international and regional institutions, individual countries
- Preferred options for channelling increased ODA for TRA: support to developing efforts of partner countries, demand-driven process, based on priorities of partner countries.
- **Adequate coordination through Art. 133 committee – EU informal trade and development expert group.**
- **Adequate coordination of EU positions on TRA in international forums.**
- **Not ready to develop joint positions of Member States and Commission for policy dialogue at regional and country level, e.g. poverty reduction strategies/ national development plans.**

## UNITED KINGDOM

### Development of ODA volumes

Projected ODA in national budget

Year	Absolute amount	As % of GNI
2004	6 281 Mio. €	0.36
2005	7 138 Mio. €	0.39
2006	8 061 Mio. €	0.42
2007	9 432 Mio. €	0.47
2008	To be published in Summer 07	
2009	To be published in Summer 07	
2010	0.59%	

- Possible measures to achieve 0.7% prior to 2015: the target would be achieved by 2013 or even earlier if the IFF is adopted (2008-9)
- Measures taken to increase ODA for Africa: from 2006, the UK will ensure that 90% of bilateral aid goes to low income countries. Increase to at least £1.25 billion per annum by 2008 for Africa.

### Innovative sources of financing

- Ready to implement innovative sources of financing: airline ticket levy; IFF and IFF immunisation. The UK already has an air ticket levy. Apart from this, UK has no plans to introduce other innovative financing mechanisms, but is happy to explore other proposals. The UK strongly supports frontloading aid to support the achievement of the MDGs. The UK will use some of its existing airline ticket levy revenue to make long-term financial commitments to the IFF.

### Debt

- **Prepared to take action against commercial creditors** registered in the MS to refrain from filing law-suits against HIPC.
- **Prepared to support WB debt reduction facility** to buy back commercial debt of HIPC on a case by case basis.
- Impact of extension of country list of eligible HIPCs on costs: as well as cancelling any bilateral debts at the time that countries qualify, the UK would expect to contribute to the HIPC Trust Fund to help multilaterals provide their share of debt relief.

- Agree to extension of G8 multilateral debt relief proposal to other regional/ multilateral banks. UK continues to assist poor non-HIPC countries that are committed to poverty reduction and sound public expenditure management by paying 10% of their debt service to IDA and the African Development Fund
- Additional debt service suspension required for countries affected by exogenous shocks under the following conditions: case-by-case basis (example: natural disasters. For other exogenous shocks we consider that other mechanisms will often be more appropriate, such as the proposed IMF shocks facility).

### **Aid effectiveness**

- Instructions adopted to disseminate EU commitments on harmonisation/ coordination:
  - Headquarters: agreement notified on intranet; medium term action plan on aid effectiveness; communication around the issue; issue integrated in current training programmes.
  - Field level: DFID is highly decentralised with a large number of country offices that will lead on issues at country level. Examples of current initiatives include the establishment with Sweden, Netherlands and Norway of a Joint Donor office in southern Sudan, due to open in April 2006, and participation of JAS in Uganda, Tanzania, Zambia and elsewhere. All DFID major programmes, plus other significant programmes, are being required to report progress against the commitments in the DFID Action Plan on Aid Effectiveness in 2006. In future years, this will be expanded to all countries which are signatories of the Paris declaration and a number of additional countries.
- Guiding principles for complementarity/division of labour: it should cover both donors' activities and donors' systems; it should also cover actions under implementation; it should address the existing gap; UK is prepared for some redeployment of its bilateral aid.
- Large scale redeployment is currently being considered, but DFID is gradually redeploying staff by downsizing or closing some overseas offices and increasing the size of others or opening new offices to reflect changes in policy, such as the Paris declaration. There are plans to open a Joint Donor Team in southern Sudan in 2006, which will test the efficacy of joint working; in other countries, donor harmonisation is being pursued. Staff cuts are being made across the whole department, plus some relocation of staff from London to East Kilbride, Glasgow, as part of UK Civil Service efficiency initiatives.
- Channels used for implementing increasing ODA volumes: EC, multilateral, regional or European institutions (WB-IMF, UN, etc.) representing overall 39 % of channelled money, and government to government cooperation representing 56%
- Favoured form of aid: project aid and TA projects as well as budget support (general and sectoral); **ready to provide budget support without annual review of conditions (subject to a multi-annual review of conditions - every 3 years).**

### **Exogenous shocks**

- No support to GIIF, support to IMF ESF.

### **Untying of aid**

- 99.7% of food aid in cash and 0.3% in kind.
- Conditions to cash transactions through a MoU including appropriate response, taking into account local economic conditions and the purchasing of local food where possible.
- Application of a system of local preferences.

### **International Public Goods**

- Agree with proposed definition.
- Contribution of International Task Force to IPG debate: promoting dialogue, raising awareness and neutral role in the information debate.
- Non-ODA funds of national budgets devoted to IPGs many contributions in all areas.

### **Reform of the International Financial System**

- Proposed measures to improve EU coordination:
  - WB: the current system of a regular informal exchange of views on key topics works well. It would thus be good to increase informal exchanges of views between the EU group and staff, borrowing countries or other groups.
  - IMF: same as above.
  - Regional development banks: formal coordination is not possible due to different constituencies, including non-EU members.
- **Disagrees with more systematic joint EU statements at IFIs.** Automatic joint statements would be cumbersome and counter-productive; this facility should be used only when common interests and positions are available.
- **Negative view on enhanced coordination mechanism with WB/ IMF:** the current co-ordination system is adequate.
- Who should present agreed EU positions/ policies at the IMF/ WB Development Committee? None of the proposed interlocutors (neither Presidency nor Commission).

### **Trade Related Assistance**

- Plans to increase TRA: Yes.

#### Projected TRA related ODA commitments

Year of commitment	Trade policy/ regulations	Trade development	Contribution to Trust Funds	Trade related infrastructure and other supply-side constraints
2004	16.3 Mio. €	24.5 Mio. €	2.6 Mio. €	298 Mio. €
2005	Totals not yet available			
2006	Work towards their announced commitment to 147 Mio. Per annum			
2007	147 Mio. Per annum			

- Preferred channels for provision of TRA: international institutions; regional institutions; individual countries.
- Preferred options for channelling increased ODA for TRA: enhanced integrated framework, other options.
- **Coordination** through Art. 133 committee – EU informal trade and development expert group **is not adequate** (the trade and development committee could be made more effective through measures already discussed within the group).
- **Adequate coordination of EU positions on TRA in international forums.**
- **Not ready to develop joint positions of Member States and Commission for policy dialogue at regional and country level**, e.g. poverty reduction strategies/ national development plans: this should be done within the broader donor community and not be restricted to the EU



## **Annex 2: Commitment to allocate 50% of increased ODA to Africa**

<b>Specific information about increased ODA to Africa</b>	
<b>AT</b>	Concentration on six regions, three of which are in Africa.
<b>BE</b>	More than 50% of Belgium's aid budget already goes to Africa and this percentage is due to increase
<b>CY</b>	Three of five selected programme countries are in Africa.
<b>CZ</b>	The Czech Republic has eight priority countries of which two are in Africa. 2 451 621 € have been provided as bilateral development assistance and 166 995 € for humanitarian assistance in 2005. These numbers will be increased to respectively 2 610 367 and more than 160 995 € in 2006.
<b>DE</b>	Germany is fully committed to the EU target to increase substantially EU ODA for Sub-Saharan Africa, and Germany will also contribute to this target bilaterally.
<b>DK</b>	Africa is a priority of DK's development assistance, which will continue to focus on poverty.. 9 out of 15 programme countries (long-term development cooperation) are African countries and a new African Programme Country is underway. The DK Government's priorities for Cooperation with Africa 2005-2009 include: (1) Integration of Africa in the global economy; (2) Promotion of business development in Africa; (3) Peace and Stability – preconditions for development; (4) the Regions of Origin Initiative to be strengthened; (5) Human Rights and Democracy; (6) Health, Education, Water and a sustainable environment for the most impoverished Africans
<b>EE</b>	Increased support to sub-Saharan Africa through increased contribution to different multilateral organisations (e.g. UNDP).
<b>FI</b>	Monitoring the increase of the share for Africa. Monitoring instrument is the annual review of the achievement of the goals of the Development Policy Paper.
<b>FR</b>	In 2004, France granted two thirds of its aid to Africa. This priority will be maintained.
<b>EL</b>	Sectors of production SMS, all to create incoming trade.
<b>HU</b>	Debt relief for HIPC eligible countries in Africa

<b>IE</b>	Ireland currently directs at least 80% of bilateral program aid to Africa.
<b>IT</b>	Africa will continue to be the first priority for Italy
<b>LV</b>	No bilateral activities are planned in Africa during 2006
<b>LT</b>	At the moment, Lithuania has no bilateral development relations with countries in Africa. Nevertheless, the Ministry of Foreign Affairs is seeking opportunities to implement several pilot development projects in some African countries, possibly together with “old” donor countries. Currently there are ideas for projects with France in Mauritania.
<b>LU</b>	Luxembourg’s main effort is concentrated on 10 countries, 6 of them in Africa (Burkina Faso, Mali, Senegal, Cape Verde, Namibia and Niger).
<b>MT</b>	Possibly introduce bilateral cooperation with sub-Saharan African countries.
<b>NL</b>	Approximately 50% of Netherlands ODA (including macro budget support, bilateral channels) expected to be spent in Sub-Saharan Africa in 2005. According to the budget estimates, this percentage will gradually increase in the coming years.
<b>PL</b>	PL will allocate an increasing share of its aid to Africa by implementing aid programmes for priority countries in Africa (currently only Angola; the second target country should be chosen in 2006), by using small-grant schemes to cofinance small and micro projects in African countries, as well as by providing more aid through international organisations and delivering food aid.
<b>PT</b>	Sub-Saharan Africa has always been and will continue to be a priority for PT cooperation, with the five Portuguese-speaking African Countries (PALOP’s) as its main target. Between 80% and 90% of bilateral aid is channelled to Africa. Therefore, the strengthening of PT’s relationship with the African continent, both bilaterally and multilaterally, is one of the future priorities. This is planned as follows: (1) Establish a closer partnership with Angola, Cape Verde, Mozambique and Sao Tome e Principe –at the institutional, business and civil society levels; (2) continue to support the political and transitional process in Guinea Bissau; (3) reinforce regional co-operation through the African Union and the New Partnership for Africa’s Development; (4) reinforce Portugal’s positioning on support for the African continent in the various international forums (EU, UN and other major institutions).
<b>SK</b>	Focus further efforts to enhance involvement by increasing the number of projects in priority countries in Africa (Sudan, Kenya, Mozambique) and also in close coordination with traditional donor partners in the field, like UNDP, and partners from the EU25 or EU15 MS.
<b>SI</b>	It has been proposed to include a line in the 2006 budget to finance projects in Africa through the MFA.
<b>ES</b>	In terms of multilateral aid, there will be increased participation in global funds and multilateral sponsored initiatives focused on Africa. In

	<p>terms of bilateral aid, the Master Plan for Spanish Cooperation for 2005-2008 stresses that ODA to Sub-Saharan Africa needs to increase, and it sets specific guidelines to that end: (1) 20 % of bilateral ODA should be directed to the Least Developed Countries, and (2) 10 African countries are among the 23 priority countries for Spanish cooperation, which will take up 70% of bilateral ODA.</p> <p>The current estimate for 2006 indicates that these thresholds will be reached. In particular, a group of 20 countries - most of them from Sub-Saharan Africa (Togo, Democratic Republic of Congo, Mozambique, Afghanistan, Equatorial Guinea, Sudan, Mauritania, Ethiopia, Angola, Haiti, Senegal, Cape Verde, Bangladesh, Burkina Faso, Tanzania, Guinea Bissau, Sierra Leone, Chad, Uganda and East Timor) - will receive 98% of the aid directed to Least Developed Countries.</p>
SE	Within Sweden's aid budget, the allocation to Africa is growing faster than other aid (+30% between 2005 and 2006). Sweden is also rapidly increasing its humanitarian aid and conflict budget, of which a large share is due to be disbursed for Africa.
UK	From 2006, the UK will ensure that 90% of bilateral aid goes to low income countries. Increase to at least £ 1.25 billion per annum by 2008 for Africa.

#### **LEGEND of official abbreviations**

AT – Austria; BE – Belgium; CZ – Czech Republic; DK – Denmark; DE – Germany; EE – Estonia; EL – Greece; ES – Spain; FR – France; IE – Ireland; IT – Italy; CY – Cyprus; LV – Latvia; LT – Lithuania; LU – Luxembourg; HU – Hungary; MT – Malta; NL – The Netherlands; PL – Poland ; PT – Portugal ; SI – Slovenia; SK – Slovakia; FI – Finland; SE – Sweden; UK – United Kingdom